Moorbrook Textiles Limited Retirement Benefits Scheme
Statement of Investment Principles (“SIP” or “Statement”)

This Statement sets out the Principles governing decisions about the investments of the Moorbrook Textiles Limited Retirement Benefits Scheme (the "Scheme"). The Principles outlined in this Statement of Investment Principles became effective following the delegation of certain decision making powers by the Trustee to Aon Investments Limited (AIL) (the "Manager"). The Trustee has taken advice from Aon Solutions UK Limited (ASUL) regarding the suitability of the Manager in this capacity, and recognises that there exists a conflict of interest in taking this advice. The Trustee has consulted with Moorbrook Textiles Limited (the "Employer").

INVESTMENT OBJECTIVE

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. The asset allocation strategy they have selected is designed to achieve a higher return than the return on liabilities while maintaining a prudent approach to meeting the Scheme’s liabilities.

The overall objective which has been agreed with the Employer is to set an investment strategy that targets an expected return over the Liability Benchmark of 2.0% p.a. net of fees.

STRATEGY

The initial asset allocation strategy chosen to meet the objective above is set out in the table below.

	Weighting %	**Range**
Managed Growth Fund	33.3%	+/-5%
Fruition Fund (Fixed +1% p.a.)[1]	15.7%	+/-5%
Fruition Fund (Real +1% p.a.)[2]	51.0%	+/-5%
Total	100.0%	

[1]There are two components:

- *It invests in a portfolio of leveraged fixed interest gilt funds, which are designed to match a typical pension scheme's liabilities with around 20 year duration.*
- *It invests in the Managed Growth Fund to target 1% outperformance.*

This is expected to broadly match the Scheme's nominal liabilities and add returns.

[2] There are two components:

- *It invests in a portfolio of leveraged index-linked gilt funds, which are designed to match a typical pension scheme's liabilities with around 20 year duration.*
- *It invests in the Managed Growth Fund to target 1% outperformance.*

This is expected to broadly match the Scheme's real liabilities and add returns.

The Managed Growth Fund (the “Fund”) targets a benchmark return of SONIA +4.0% per annum over a full market cycle. The Fund is designed to be a well-diversified strategy that generates consistent returns through all market environments. The Fund is diversified by style, strategy and asset class by investing with underlying funds that may from time to time include equity funds, fixed income funds, debt funds, currency funds, hedge funds, fund of hedge funds and other collective investment schemes covering a broad range of asset classes and strategies (the “Underlying Funds” or “Underlying Managers”). The Fund utilises, through the Manager, an investment process that consists of quantitative and qualitative analyses by which the Underlying Funds are screened and regularly monitored. The Underlying Funds selected for the Fund are tracked to ensure that, in combination, their strategy, objectives, discipline, transactions, results and outlook continue to remain consistent with the Fund’s objectives. As a fund of investment funds, the Fund is designed to provide investors with the potential to control risk through diversification by investing with several Underlying Funds.

The aim of the liability hedging instruments is to provide returns in line with the liabilities of typical pension schemes on an exposure basis in the relevant tenures and instruments (long/short, real/nominal).

The Trustee set the allocation such that the target level of protection against changes to interest rate and inflation expectations is set at the value of the assets. The Trustee will monitor the target level of interest rate and inflation protection periodically.

In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The investment strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. When choosing the Scheme’s investment strategy the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee has consulted with the sponsoring employer when setting this strategy.

RISK

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure of the Manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the Manager and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk of the extent to which ESG factors are not appropriately reflected in asset prices and/or not considered in investment decision making processes leading to underperformance relative to targets.
- The risk of the extent to which climate changes causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

Due to the complex and interrelated nature of these risks, the Trustee considered the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustee to monitor some of the key risks they receive quarterly reports showing:

- Performance of the Manager versus the Scheme's investment objective.
- Performance the Underlying Managers chosen by the Manager versus target.
- Any significant issues with the Manager and the Underlying Managers chosen by the Manager that may impact their ability to provide the service agreed by the Trustee.

IMPLEMENTATION

ASUL has been selected as investment adviser to the Trustee. ASUL is paid on an ad valorem basis for the work it undertakes for the Scheme. The Manager is paid on an ad valorem basis and from this amount the Manager will pay the fees of the Underlying Funds in which it invests. This structure has been chosen to align the interests of the Manager with those of the Scheme.
The Trustee has delegated a number of day-to-day decisions in respect of the Scheme's investment to the Manager through its investment in a number of Underlying Funds. This includes the allocation of assets between different asset classes and the appointment and monitoring of fUnderlying Managers. When choosing asset classes and Underlying Funds, the Trustee and Manager are required to have regard to the criteria for investment set out in the Occupational Pension Plans (Investment) Regulations 2005 (regulation 4). The Manager's responsibilities include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Delegating voting and corporate governance as required for the Underlying Funds to meet the performance objectives of the investments they hold.

Environmental, Social, and Governance ("ESG") considerations

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The Trustee considers these risks by taking advice from its investment adviser.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Stewardship Policy

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries. To this end the Trustee is committed to being a UN PRI signatory and welcome the active ownership principles and standards set here.

The Trustee receives and reviews annual reports on stewardship activity carried out by its Manager, these reports include detailed voting and engagement information from underlying managers.

As part of the Manager's management of the Scheme's assets, the Trustee expects the Manager to:

- Where relevant, assess the integration of ESG factors in the investment process of Underlying Funds;
- Use its influence to engage with Underlying Funds to ensure the Scheme's assets are not exposed to undue risk; and

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

- Report to the Trustee on its ESG activities as required.

As part of the Manager's management of the Scheme’s assets, the Trustee expects the Manager to:

- Ensure that (where appropriate) Underlying Managers exercise the Trustee’s voting rights in relation to the Scheme’s assets; and
- Report to the Trustee on stewardship activity by Underlying Managers as required.

The Trustee will engage with its Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

Where voting is concerned we would expect our Underlying Managers, to recall stock lending procedures, as necessary, in order to carry out reflective voting actions.

The Trustee may engage with its Manager, who in turn is able to engage with Underlying Managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Arrangements with asset managers

The Trustee recognises that the arrangements with its Manager, and correspondingly the Underlying Managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that its Manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives at least quarterly reports and verbal updates from the Manager on various items including the performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the Manager over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its Manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Manager and requests that they review and confirm whether its approach is in alignment with the Trustee’s policies. The Trustee delegates the ongoing monitoring of underlying managers to the Manager. The Manager monitors the Scheme’s investments to consider the extent to which the investment strategy and decisions of the underlying managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new Manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with its policies.

Where possible, the Trustee will seek to amend that documentation or express its expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment. The Trustee believes that having appropriate governing documentation, setting clear expectations to the Manager, and regular monitoring of the Manager's performance, is sufficient to incentivise the Manager to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the Manager is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the Manager but could ultimately replace the Manager where this is deemed necessary.

There is typically no set duration for arrangements with the Manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying managers that the Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Monitoring:

The Trustee is aware of the importance of monitoring the Manager's total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by its investments.

The Trustee receives annual cost transparency reports from the Manager. These reports present information in line with prevailing regulatory requirements. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Scheme;
- the fees paid to the Manager;
- the fees paid to the Underlying Managers appointed by the Manager;
- the amount of portfolio turnover costs (transaction costs) incurred by the Underlying Funds appointed by the Manager;
- the Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying managers appointed by the Manager;
- any charges incurred through the use of Underlying Funds (custody, admin, audit fees etc);
- the impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying managers appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by the Manager in two key cost areas:

- the ability of the Manager to negotiate reduced annual management charges with the appointed Underlying Managers;
- the ability of the Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the Underlying Managers and achieve efficiencies where possible.

Evaluation of performance and remuneration:

The Trustee assesses the (net of all costs) performance of the Manager on a rolling three-year basis against the Scheme's specific investment objective.

The remuneration paid to the Manager and fees incurred by third parties appointed by the Manager are provided annually by the Manager to the Trustee. This cost information is set out alongside the performance of the Manager to provide context. The Trustee monitor these costs and performance trends over time.

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. The Trustee has established the following decision making structure:

<table>
<tr><td colspan="2">Trustee
▪ Set structures and processes for carrying out its role.
▪ Select and review the Scheme's Investment Objective
▪ Review actual returns versus the Scheme's investment objective
▪ Select and monitor AVC direct investments (see below).
▪ Select and monitor the investment advisers and the Manager.
▪ Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated)
▪ Approve this document</td></tr>
<tr><td>Investment Adviser
▪ Advise on investment strategy
▪ Advise on appropriateness of service provided by the Manager
▪ Advise on investment strategy
▪ Review the Statement of Investment Principles
▪ Carry out further project work when required</td><td>The Manager ("AIL")
▪ Set the strategy for investing in different asset classes in line with the investment objective.
▪ Determine strategy for selecting Underlying Funds and Underlying Managers.
▪ Implement the investment strategy
▪ Select and appoint Underlying Funds and Underlying Managers.
▪ Monitor Underlying Funds and Underlying Managers
▪ Adjust asset allocations to reflect medium term market expectations
▪ Report on asset performance against the investment objective.
▪ Report on asset returns against objectives.
▪ Communicate any significant changes to the investment arrangements</td></tr>
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Additional Voluntary Contributions (AVCs)

The Trustee may, from time to time, hold insurance policies or other assets, which are earmarked for the benefit of certain members. These may include

- Assets secured by Additional Voluntary Contributions ("AVCs") or other arrangements made individually with the Trustee;

- Deferred or immediate annuity policies purchased to match part or all of the Scheme liabilities.

The AVCs are currently invested with MGM Assurance and the Prudential Assurance Co Limited.

Direct Investments

The Pensions Act 1995 (as amended) distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the Manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

Other Governance Issues

The Trustee's investment adviser, ASUL has the knowledge and experience required under the Pensions Act 1995 (as amended).

The Trustee expects the Manager to handle the assets delegated to them and to give effect to the principles in this Statement so far as is reasonably practicable.

Document Maintenance

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Agreed on behalf of the Trustee to the Moorbrook Textiles Limited Retirement Benefits Scheme on effective date of 29 March 2022.

Signed [redacted]