DOWDESWELL ENGINEERING COMPANY LIMITED PENSION AND EMPLOYEE BENEFITS PLAN

STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2020

BACKGROUND

1. This Statement sets out the principles governing the investment of the assets of the Dowdeswell Engineering Company Limited Pension and Employee Benefits Plan (the "Scheme') in accordance with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010; the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and incorporating changes as required by The Pension Protection Fund (Pensionable Service); the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

   Under Section 36 of The Pensions Act 1995, the Trustee is required to prepare a written Statement of Investment Principles, dealing with specified matters.

2. This Statement has been agreed by the Trustee, who has obtained appropriate professional advice from their appointed Investment Consultants, Barnett Waddingham LLP. The Trustee has also consulted the principal Employer, Dowdeswell Engineering Company Limited (the "Company'), regarding the investment policy described in this Statement.

3. The Scheme comprises two Sections: a Defined Benefit Section and a Defined Contribution Section.

   The Scheme was contracted out Defined Benefit until 31 May 1996. From 1 June 1996 to 5 April 1997 it was contracted out Defined Contribution (but accruing GMP), from 6 April 1997 to 5 April 1999 Contracted Out Defined Contribution (accruing Protected Rights) and from 6 April 1999 contracted in Defined Contribution.

   Members stopped accruing benefits on a Defined Contribution basis following the insolvency of George Dyke Limited on 28 January 2020.

4. The Scheme's assets are held under trust by the Trustee, the Trust Deed is dated 1 June 1996. The content of this Statement does not conflict with those powers.

5. The Trustee employs Legal & General Investment Management Limited (LGIM) to manage the assets of the Scheme ("the Investment Manager").

   The investment comprises units in pooled managed funds, The Investment Manager is responsible for the day-to-day Investment management of the Scheme's assets held with them.

   The Financial Conduct Authority regulates the Investment Manager.

6. The portfolios of securities and cash underlying the units issued by the Investment Manager are held by independent corporate custodians and are regularly audited by external auditors.

7. The Trustee has signed an Investment Management Agreement with the Investment Manager setting out in detail the terms under which the portfolio is operated.

8. The management of the Scheme's assets is required to be consistent with this Statement.

9. The Trustee employs Barnett Waddingham LLP as their Investment Consultants to advise on general matters relating to the investment of the Scheme's assets and on reviewing this Statement of Investment Principles. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority,

DEFINED BENEFIT SECTION

1. The Scheme's Statutory Funding Objective (measured on an ongoing basis) is updated regularly in accordance with regulations. This Statement of Investment Principles takes into account the investment returns assumed in the Statutory Funding Objective and outlined in the Statement of Funding Principles.
2. The Trustee aims to hold a portfolio of assets that will achieve returns in excess of investment returns indicated in the Statement of Funding Principles, without exposing the Scheme to excessive risk.
3. The Trustee has agreed to maintain a policy of investing the AAA-AA-A Bonds All Stocks Index Fund, as well holding some cash in the Trustee's bank account.
4. In addition, the Trustee has the following objectives:
    - to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
    - to achieve a long-term positive real return;
    - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
    - to invest in assets of appropriate liquidity which will generate capital growth to meet, together with any new contributions from the participating employer, the cost of current benefits which the Scheme provides;
    - to reduce the risk of the assets failing to meet the liabilities over the long term;
    - to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives

INVESTMENT STRATEGY

1. The Trustee has developed a balanced strategy broadly as follows:

Fund	Manager	Allocation
AAA-AA-A Bonds All Stocks Index Fund	LGIM	99%
Trustees' bank account		1%
	TOTAL	**100%**

2. The funds managed by LGIM are passively managed.
3. The Trustee retains discretion to review and possibly rebalance the asset allocation at regular intervals, at least every three years, to coincide with the production of the actuarial review of the liability profile.

PERFORMANCE OBJECTIVES

1. The Investment Manager's performance benchmarks are as follows:

Fund	Manager	Performance Objectives
AAA-AA-A Bonds All Stocks Index Fund	LGIM	Track performance of the iBoxx £ Non- Gilts (ex-BBB) Index to within +/-0.5% p.a. for two out of three years

2. LGIM'S fees are currently charged on the following basis:

Fund	Manager	Fee (% p.a.)
AAA-AA-A Bonds All Stocks Index Fund	LGIM	0.15%

LGIM also charges a fixed annual fee of £1,500 p.a.

DEFINED CONTRIBUTION SECTION

1. The assets of the Defined Contribution Section are invested in the following pooled funds operated by LGIM:

- Global Equity Fixed Weights (70:30) Index Fund
- Multi-Asset (formerly Consensus) Fund
- Property Fund
- Over 15 Year Gilts Index Fund
- Cash Fund

2. Members are free to allocate their contributions to any one or more of those funds offered. Members have the option to amend their investment decision either in respect of accrued funds and/or future contributions. Such an investment switch can be made once a year with a minimal charge.
3. The Trustee has also set up a Lifestyle Fund as the default investment option. Under the Lifestyle Fund at 11 or more years from retirement, funds will be invested in the Multi-Asset (formerly Consensus) Fund. From 10 years to retirement, funds will be switched into the Over 15 Year Gilts Index Fund and Cash Fund. At retirement funds will be invested 75% in the Over 15 Year Gilts Index Fund and 25% in Cash Fund.

PERFORMANCE OBJECTIVES AND ANNUAL MANAGEMENT CHARGES

1. The Investment Manager performance benchmarks are as follows:

Fund	Manager	Performance Objective
Global Equity (70:30) Index Fund	LGIM	To capture the returns Of the UK and Overseas stock markets as represented by the FTSE All-Share index for the UK and the FTSE All-World ex UK Index for overseas stock markets. The fund will be split approximately 70% to the FTSE All- Share Index and to the FTSE All- World ex UK Index. In order to accurately track these indices the fund will invest in a representative sample of holdings
Multi-Asset (formerly Consensus) Fund	LGIM	ABI UK Mixed Investment 40-85%
Property Fund	LGIM	Outperform the AREF/IPD UK Quarterly All Balanced Property Funds Index ("PFI") over 3 and 5 year periods
Over 15 Year Gilts Index Fund	LGIM	Track performance Of FTSE A Government (Over 15 Year) Index to within 0.25% p.a. for two years out of three
Cash Fund	LGIM	Perform in line with 7 Day LIBID, without incurring excessive risk

2. LGIM's fees are currently charged on the following basis:

Fund	Manager	Fee (% p.a.)
Global Equity (70:30) Index Fund	LGIM	0.16%
Multi-Asset (formerly Consensus) Fund	LGIM	0.25%
Property Fund	LGIM	0.70%
Over 15 Year Gilts Index Fund	LGIM	0.10%

Cash Fund	LGIM	0.125%

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

1. Members are able to contribute Additional Voluntary Contributions with LGIM on a defined contribution basis to enhance benefits at retirement.

TRUSTEE POLICY ON RISK

1. **Risk relative to the Liabilities**

   The Trustee’s view is that the Investment strategy and the performance objectives are consistent with the long term nature of the Scheme, and in the long term, should provide returns in excess of those assumed in the actuarial valuation.

2. **Risk from lack of diversification**

   The Trustees believe that the need for an adequately diversified overall asset allocation is met by using a combination of funds described in the investment strategy,

3. **Risk from Unsuitable Investments**

   Whilst the Trustee accepts the need for diversification they recognise that some types of investment could be considered unsuitable.

   The Trustee has considered these investments in conjunction with its Investment Manager and is satisfied that appropriate precautions are in place.

4. **Risk from underperformance of the Investment Manager**

   There is a risk that the investment Manager falls to achieve their Investment Objectives. This risk is considered by the Trustee on the initial appointment of the Investment Manager and is reviewed on an ongoing basis by holding regular meetings with the Investment Manager.

5. **Risk from Self-Investment**

   The Trustee does not hold any investments in Dowdeswell Engineering Company Limited nor is it intended that any such employer-related investment should be held at any time in the future.

6. **Risk from Company Failure**

   The Trustee reviews the Company covenant on a regular basis and may review the appropriateness of the Scheme's investment strategy if there are any material changes to the following:

   - The creditworthiness of the Company and any breaches of covenants
   - The Company’s balance sheet or borrowing or capital expenditure plans
   - Forecasts of cashflow

7. **Governance Risk**

   Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the Investment Manager’s practices in their annual Implementation Statement.

8. **ESG/Climate Risk**

   The Trustee has considered long-term financial risks to the Scheme and Environmental, Social and Governance (“ESG”) factors, as well as climate risk, are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme’s investments in order to avoid unexpected losses.

TRUSTEE'S POLICY ON INVESTMENT RISK

1. Credit Risk

Credit risk is the risk that an issuer will default on a debt, resulting in financial logs for the gender. The Scheme Is directly exposed to credit risk through funds being held by a third party in pooled investment vehicles. This risk is mitigated by the underlying assets of the funds being ring-fenced from the Investment Managers and managed by the relevant custodians, the regulatory environments in which the Investment Managers operate and diversification of investments through investing in a number of different asset classes across a number of different Investment Managers. Indirect credit risks arise from the underlying bonds held within the pooled funds, but these are mitigated by investing in pooled investment vehicles where the manager invests in a diversified pool of assets.

2. Currency Risk

This risk arises from the value of an asset fluctuating duo to changes in foreign exchange rates (currency pricing), Indirect currency risk arises from overseas investments, though Investment Managers may hedge foreign currency exposure back to sterling to mitigate this risk. Overseas equity funds may not hedge back to sterling and instead will use the exposure tactically, resulting in significant currency risk.

3. Inflation Risk

This is the risk that cash flows from an investment will not be worth as much in the future because of the effects of Inflation. The Scheme is indirectly exposed to inflation risk through its bond and cash holdings. Equities in the long term have outperformed in real (inflation-adjusted) terms.

4. Interest Rate Risk

This is the risk that the value of an asset will fluctuate with changes in interest rates. The Scheme is indirectly exposed to this risk through the bond, property and cash elements of the portfolio. The Trustees manage this risk through the matching characteristics of the underlying bonds' duration compared to that of the liabilities of the Scheme. As changes in interest rates affect bond values, the liability value will be similarly affected, hedging some of the exposure to interest rate risk.

5. Other Price Risk

The Scheme is exposed to other price risk through assets that will fluctuate because of factors specific to the instrument or issuer, not related to Interest rate or inflation; this can include funds invested in equities, property or commodities. The Scheme is not exposed directly to this risk, however the Trustee has mitigated against indirect risk by investing in a diversified range of pooled investment vehicles,

REALISATION OF INVESTMENTS

1. The assets held by the Investment Manager are readily marketable. Notice for realisation of assets can be given on any working day for any amount.
2. Units issued by LGIM are credited to the Trustee and are redeemable at bid prices for the DB section and dealing prices for the DC section calculated from current stock prices plus any applicable charges. Any redemptions that are made will be disinvested using the authorised price on that given day plus any applicable charges.
3. The Trustee needs to have regard to the Scheme's likely cashflow requirements in order to minimise the likelihood of having to realise investments when market conditions are unfavourable.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE CONSIDERATIONS

1. The Trustee’s duty is to act in the best financial interests of the Scheme's beneficiaries. This includes undertaking due diligence when appointing Investment Managers, by reviewing each potential Investment Manager's policies and procedures regarding Environmental, Social and Governance (ESG) issues. The Trustee believes that a considered approach to ESG issues can enhance the investment processes of the Investment Manager that they employ. They believe that responsibly managed companies are better placed to achieve a sustainable competitive advantage and provide strong long-term growth.

2. The Trustee expects the appointed Investment Manager, when assessing the financial attractiveness and overall risk of any investment, to have due regard for all relevant issues, including the impact of ESG matters. This includes continually monitoring their ESG efforts, principles and processes and making their records of engagement available to investors.

3. The Investment Manager utilised by the Scheme has opted to sign the principles for Responsible Investment, a set of six voluntary and aspirational principles supported by the United Nations, which offer an assortment of possible actions for incorporating ESC issues into investment practice. The principles were developed by Investors, for investors, and aim to assist signatories in developing e more sustainable global financial system.

4. The Investment Manager utilised by the Scheme has also produced individual statements on their compliance with the UK Stewardship Code, as published by the Financial Reporting Council. This code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to Shareholders, and includes details on matters such as voting rights. The code was last updated in 2012 and is currently undergoing consultation for its next update.

5. The Trustee has also delegated to their Investment Manager the exercise of corporate governance including the exercise of voting rights to Investments. At this time the Trustee does not take into account members' ESG considerations, and have no plans to seek the views of the members. The Trustee has delegated the ESG considerations to their Investment Manager, and has taken the Investment Manager's ESG policies into account when appointing them.

TRUSTEE POLICY IN RELATION TO FINANCIALLY MATERIAL CONSIDERATIONS

1. The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.
2. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.
3. The Trustee accepts that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.
4. An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.
5. The Trustee will monitor financially material considerations through the following means:
    - Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
    - Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
    - Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.
6. If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

NON-FINANCIALLY MATERIAL CONSIDERATIONS

1. The Trustee has not considered non-financially material matters in the in the selection, retention and realisation of investments.

STEWARDSHIP

1. The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

2. The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.
3. The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.
4. If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.
5. The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND CLIMATE CHANGE RISKS

1. There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

INVESTMENT MANAGER ARRANGEMENTS

Incentives to align investment managers' investment strategy and decisions with the Trustee's policies

1. The Scheme invests in pooled funds and so the Trustee acknowledges the fund's investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers' incentive.

2. The Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

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

1. The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

2. The Trustee also considers the managers' voting and ESG policies and how it engages with the company as it believes that these factors can improve the medium to long-term performance of the investee companies.

3. The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

4. The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

5. The Trustee believes the annual fee paid to the fund managers incentivises them to do this.

6. If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding
7. whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies

1. The Trustee reviews the performance of each fund annually on a net of fees basis compared to its objective.

2. The Trustee assesses the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

3. The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustee's policies.

How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how it defines and monitor targeted portfolio turnover or turnover range

1. The Trustee monitors the portfolio turnover costs on an annual basis.

2. The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

3. The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

The duration of the arrangement with the asset manager

1. The Trustee plans to hold each of its investments for the long term but will keep this under review.

2. Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

COMPLIANCE WITH THIS STATEMENT

1. The Trustee will review this Statement in response to any material changes to any aspects of the investment arrangements detailed above. This review will occur no less frequently than every 3 years to coincide with the actuarial valuation. Any such review will be based on investment advice and will be in consultation with the Company.

2. Copies of this Statement have been supplied to the Actuary, the Company, the Investment Consultant and the Investment Manager.

Agreed as final version by Dalriada Trustees Limited on behalf of the Dowdeswell Engineering Co. Ltd Pension and Employee Benefits Plan

Dated: 30 September 2020