Minteq UK Pension Plan

Statement of Investment Principles

November 2023

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1. Introduction

1.1 Plan Background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for The Minteq UK Pension Plan (the “Plan”).

- The Plan:

  – operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries;

  – provides benefits calculated on a defined benefit basis.

- Buck is the investment consultant to the Trustees.

1.2 Statement Structure

This Statement is divided into two main sections as follows:

- **Statutory Section:** This section covers the requirements of and the Plan’s compliance with the provisions of the Pensions Act 1995 and 2004 as amended by the Occupational Pension Schemes (Investment) Regulations 2005.

- **Myners Section:** This section includes additional non-statutory information that was recommended by the Myners Principles and are now included in a strengthened Statement.

2. Statistory Information

2.1 Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 and 2004 as amended by the Occupational Pension Schemes (Investment) Regulations 2005. In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the sponsoring employer.

- The Trustees have full regard to their investment powers under Section 7 of the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.

- The investment managers will prepare detailed quarterly reports on their activities and the Trustees will meet with them periodically.

- This Statement will be reviewed periodically or whenever changes to the investment strategy or investment manager(s) are made. Any changes to this Statement will be undertaken following advice from the investment consultant, as will any removal and/or appointment of an investment manager.

- All of the Plan's investment decisions are under the control of the Trustees, with no constraint by the sponsoring employer. All investment decisions are taken by the Trustee Board as a whole. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

- A copy of this statement is available on request and is made available at the following web address: https://www.mintequkpension.co.uk/

2.2 Statutory requirements

- This part of the Statement details the Trustees' policy to secure compliance with the requirements of sections 35 of the Pensions Act 1995.

2.2.1 Investment objectives and suitability of investments

- The Trustees' agreed investment strategy is based on an analysis of the liability profile of the Plan, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities and other return enhancing asset classes such as diversified growth funds are expected to exceed the returns from bonds and cash, although returns and capital values demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in the short term to some extent in order to aim to achieve the overall investment objective.

- The Trustees' primary objective is to operate an investment strategy that provides appropriate security for all beneficiaries.

- The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Plan, details of which are included in the appendices.

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to a number of investment managers authorised under the Act. Details are included in the appendices.

- The Trustees consider their current strategic asset allocation to be consistent with the Plan's current financial position.

2.2.2 Diversification

- The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark as set out in Appendix 1.

- Subject to their respective benchmarks and guidelines the investment managers have been given full discretion over the choice of stocks and are expected to maintain a diversified portfolio.

- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Plan, the Trustees have decided to invest the majority of the Plan's assets on a pooled fund basis. All such investments are implemented through the Mobius investment platform.

- The Trustees are satisfied that the range of pooled vehicles in which the Plan's assets are invested provides adequate diversification.

2.2.3 Balance between different kinds of investments

- The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark (where applicable). Within each major market the managers will maintain a diversified portfolio of stocks within pooled vehicles.

2.2.4 Risk

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Plan's liabilities as they fall due.

- The investment strategy has been determined in light of achieving a long-term return on the assets in excess of the value placed on the Plan's liabilities, and of the need to avoid undue volatility in the funding level and therefore the contribution rate. Taking into account the expected returns required to meet the Trustee's return requirement resulted in the strategy outlined in Appendix 1 being determined.

- Although the Trustees acknowledge that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. The risk:
  - associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors;
  - of the Plan having insufficient liquid assets to meet its immediate liabilities;
  - of the investment manager failing to achieve the required rate of return;
  - due to the lack of diversification of investments;
  - of failure of the Plan's sponsoring employer.
- The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.
- Monitoring of the investment managers' performance against their target and objectives on a regular basis is undertaken by the Trustees via their investment consultant.
- The Trustees have the freedom to allow the Plan's investments to deviate from the intended long-term target allocation as shown in Appendix 1. In normal circumstances the deviation would be expected to be managed by the Trustees to maintain broad alignment with the long-term strategy.
- The Trustees have signed a legal agreement with Mobius which provides access to a range of investment managers and funds. The funds the Trustees choose to invest in, along with details of the specific performance targets are shown in Trustees' Investment strategy policy document. Within each asset class, the investment managers are expected to maintain a portfolio of securities, which ensures that the risk being accepted in each market is broadly diversified.

2.2.5 Expected return on investments

- The investment strategy is believed to be capable of meeting, in the long-run, the overall required rate of return as set out in the Scheme Actuary's published actuarial valuation report.

2.2.6 Kind of investments to be held

- The Plan may invest in quoted and unquoted securities of UK and overseas markets including, for example, equities, bonds and cash, via pooled investment vehicles that are considered to be appropriate for tax-exempt registered occupational pension schemes. The Trustees have considered the attributes of the various asset classes.

These attributes being:

– security (or quality of the investment),

– yield (expected long-term return),

– spread (or volatility) of returns,

– term (or duration) of the investment,

– exchange rate risk,

– marketability/liquidity (i.e., the tradability on regulated markets),

– taxation.

2.2.7 Realisation of investments

- In the event of an unexpected need to realise all or part of the assets within the portfolio, the Trustees require the investment managers to be able to realise the Plan's investments within a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The majority of the assets are not expected to take an undue time to liquidate.

2.2.8 Financially material considerations

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

2.2.9 Extent to which non-financial matters are taken into account

- The Trustees' objective is that the financial interests of the Plan members are their first priority when choosing investments. The Trustees may take members' preferences into account if they consider it appropriate to do so.

2.2.10 Stewardship in relation to the Plan's assets

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

- The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

2.2.11 Engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the underlying investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long-term.

- The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis by reviewing the managers' voting and engagement activity when preparing the Scheme's annual implementation statement.

- The Trustees will engage with an investment manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the views of the Trustees from time to time.

- The Trustees recognise that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment. The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for cash and liability-driven investments.

- The Trustees have not set out their own stewardship priorities but follow that of the investment managers.

- As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

2.2.12 Voting rights attaching to investments

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments and to encourage the investment manager(s) to exercise those rights. The investment managers are expected to provide regular reports to Mobius and the investment consultant detailing their voting activity. The Trustees have taken corporate governance policies into account when appointing and reviewing such an investment manager.

- The Trustees have not set out their own voting policy but follow that of the investment managers.

2.2.13 Additional assets

- The Plan provides a facility for existing AVC contributors to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustees' objective is to provide vehicles that enable these members to generate suitable long-term returns, consistent with their reasonable expectations.

- The Trustees consider that, in making a restricted number of funds available from the chosen providers; they have provided these members with a range of options to meet their reasonable expectations.

- The investment funds are provided by, Clerical Medical and Utmost.

- The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of their monitoring of performance and process.

- The Trustees will measure performance of the AVC providers in the light of their performance relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

2.2.14 The Trustees' policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe. This same approach applies to the Trustees' approach to choosing their platform provider.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the trustees' policies

The Trustees have delegated the day to day management of the Plan's assets to investment managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. A fee is also payable to the investment platform provider. The Trustees believe that as both investment managers and platform provider receive fees this incentivises them to adhere to their stated policies and objectives as this income would be withdrawn should the Trustees decide they have not acted in line with these policies and objectives.

Further by using an investment platform provider, the Plan expects to benefit from lower investment manager fees through aggregation benefit/increased buying power the Platform provider may be able to bring to bear with the underlying managers.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Plan policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

The Trustees have decided not to explicitly take non-financial matters into account when considering its policy objectives.

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

The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees policies, they will make their concerns known to the investment manager and may ultimately disinvest.

The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management.

Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

How the trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Plan.

The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

3. Myners Principles

The original Myners review of “Institutional Investing in the UK” was published in March 2001. It included a set of 10 Principles that pension scheme trustees were recommended to use when considering their investment strategy for defined benefit pension schemes and 11 Principles for defined contribution pension schemes. The Government endorsed the report with some minor modifications on 2 October 2001. Pension scheme trustees were asked to comply with the Principles on a voluntary basis. The Myners Principles recommend that certain issues were included in the Statement.

The Myners Principles were subsequently reviewed in October 2008; the explicit requirement to include certain items in a strengthened Statement was removed and replaced with a requirement for Trustees to act in a transparent and responsible manner. By making the following statements the Trustees believe that they are complying with the spirit of these principles.

3.1 Responsible ownership

Details of the responsibility for the exercising of rights (including voting rights) attaching to the Plan’s investments are included in Section 2.2.12.

3.2 Transparency & reporting

The Trustees have discretion over the form of reporting they wish to undertake. This Statement provides the following details of the Trustees’ investment approach:

- Who is taking which decisions and why has the structure been selected?

  Details of the Trustees’ decision-making structure are included in Section 2.1.

- What is the Trustees’ investment objective?

  Details of the Trustees’ investment objective are included in Section 2.2.1, with the appointed investment managers’ specific objectives set out in the Trustees’ Investment strategy policy document.

- What is the Trustees’ asset allocation strategy, including projected investment returns in each asset class, and how the strategy has been selected?

  Details of the Trustees’ asset allocation strategy are included in Appendix 1. The strategy was determined after taking advice from the investment consultant and consultation with the sponsoring employer and the Scheme Actuary.

- What are the mandates given to all advisers and the investment manager?

  The responsibilities of the Trustees, the investment consultant, the investment managers and platform provider are outlined in Section 3.3, while the investment managers' mandates are specified in Appendix 1 and Trustees' Investment strategy policy document.

- What is the nature of the fee structures in place for all advisers and the investment manager; and why this set of structures has been selected?

  Details of the fees charged by the investment manager, platform provider and the investment consultant are included in Trustees' Investment strategy policy document. The Trustees have discussed and agreed these fees following consultation with their advisers, where appropriate, and believe they are reasonable for the services they receive.

3.3 Appointments & responsibilities

3.3.1 Trustees

The Trustees' primary responsibilities regarding investments include:

- Preparation of the Statement and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the sponsoring employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers.

- Appointing an investment consultant and investment managers as necessary for the good stewardship of the Plan's assets.

- Reviewing the investment strategy following the results of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the investment consultant and the Scheme Actuary.

- Reviewing the stewardship / voting policies of the investment managers and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.

- Assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).

- Monitoring compliance of the investment arrangements with this Statement on a regular basis.

- Monitoring risk and the way in which the investment managers cast votes on behalf of Mobius, and hence indirectly the Trustees, in respect of the Plan's equity holdings within the diversified pooled vehicles.

3.3.2 Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this Statement in consultation with the sponsoring employer.
- Undertaking project work including reviews of the investment strategy, investment manager structure and their performance as required by the Trustees.
- Advising the Trustees on the selection and review of the investment managers.
- Advising upon where contributions should be invested/divested on a periodic basis.
- Providing training or education on any investment-related matter as and when the Trustees see fit.

3.3.3 Investment managers

The investment managers' main responsibilities include:

- Investing assets in a manner that is consistent with the objectives for their investment vehicle.
- Ensuring that investment of the Plan's assets is in compliance with prevailing legislation .
- Attending meetings with the Trustees as and when required.
- Informing Mobius of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings in accordance with their general policy.

3.3.4 Platform provider

The platform provider's main responsibilities include:

- Providing access to a range of funds provided by various managers.
- Ensuring that investment of the Plan's assets is compliant with prevailing legislation and the constraints detailed in this Statement.
- Providing the Trustees with quarterly reports including any changes to their or underlying investment manager processes.
- Attending meetings with the Trustees as and when required.

- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur.

Mobius Life is the Plan's appointed Investment Platform provider.

3.3.5 Custodian

- The custodianship arrangements are those operated by each investment manager for all clients investing in their pooled funds.

3.3.6 Administrators

The Plan's administration is carried out by Buck.

3.3.7 Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Plan's investment strategy given the financial characteristics of the Plan.

- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short/medium and long-term investment objectives.

3.4 Performance monitoring

- Each of the vehicles in which the Plan invests has a stated performance objective by which the performance is measured.

- The Trustees will be provided with an investment report from the investment consultant on a half-yearly basis.

- The Trustees will review the performance of the appointed investment managers on a quarterly basis, along with reasons for this performance.

Appendix 1 – Strategic Benchmark

Plan's current target asset allocation

The Plan's current target asset allocation is tabulated below. The assets are invested with a range of investment managers as set out in the Plan's investment strategy policy document.

Type of Asset	Long-Term Target Allocation (%)
Equity	28.0
Multi-asset market directional	17.0
Growth orientated:	**45.0**
Corporate Bonds	25.0
Gilts	15.0
Index-Linked Gilts	15.0
Liability focused	**55.0**
Total	**100.0**