Hendy Group Retirement Benefits Plan

Statement of Investment Principles – March 2024

1. Introduction

The Trustees of the Hendy Group Retirement Benefits Plan (“the Plan”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Pensions Act”), associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments.

In preparing this Statement and considering appropriate investments the Trustees have obtained appropriate written advice through its Investment Consultants, Mercer Limited (Mercer). The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustees have also consulted Hendy Group Limited as Sponsor of the Plan.

2. Investment Objectives

The Trustees’ primary objective is to invest the Plan’s assets in the best interest of the members and beneficiaries. Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustees’ primary objectives are as follows:

- To ensure that it can meet its obligations to the beneficiaries of the Plan.
- To achieve a funding position of the Plan on a self-sufficiency basis (gilts +0.5%) of 100% by 2031.
- To monitor the progress in the funding level against a pre-agreed table and
- To capture improvements in the funding level, if they arise.

3. Process For Choosing Investments

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer’s Dynamic De-risking Solution, to implement the Trustees’ strategy whereby the level of investment risk reduces as the Plan’s funding level improves. In this capacity, and subject to agreed restrictions, the Plan’s assets are invested in multi-client collective investment schemes (“Mercer Funds”). The Mercer Funds are domiciled in Ireland (for traditional asset classes), and Luxembourg and the Cayman Islands (for private markets assets). The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited (“MGIM”), the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à r.l and the Cayman Islands-domiciled funds are managed by MPIP III GP LLC and, respectively, these entities have appointed Mercer Global Investments

Europe Limited ("MGIE"), Mercer Alternatives AG ("Mercer AG"), and Mercer Investments LLC ("Mercer LLC") as investment managers of the Mercer Funds.

In practice, assets in the Mercer Funds are invested with third party fund managers based in countries such as Ireland, UK and USA. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan's assets on a day to day basis.

The day to day management of the assets is described in the Statement of Investment Arrangements ("SIA").

4. Risk Management and Measurement

There are various risks to which any pension plan is exposed. The Trustees' policy on risk management over the Plan's anticipated lifetime is as follows:

- The primary investment risk upon which the Trustees focus is that arising through a mismatch between the Plan's assets and its liabilities and the Sponsor's ability to support this mismatch risk. The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more volatility in the Plan's funding position.

- The asset allocation has initially been set to target a return on the overall portfolio which is sufficient to meet the objectives outlined in Section 2. As the funding level improves, the portfolio will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk. Mercer provides the Trustees with regular reports regarding the Plan's asset allocation.

- Whilst moving towards the target funding level, the Trustees recognise that even if the Plan's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Plan's assets and the Plan's liabilities due to the mismatch in duration between the Matching Portfolio and actuarial liabilities.

- The Trustees invest in leveraged LDI funds to maintain the liability hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustees and Mercer review the matching portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk, the Trustees have delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustees with regular monitoring reports regarding the level of diversification within the Trustees' portfolio.

- To help the Trustees ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes, the Trustees believe that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- To help diversify manager specific risk, within the context of each of the Growth and Matching Portfolios, the Trustees expect that the Plan assets are managed by appropriate underlying asset managers.

- By investing in the Mercer Funds, the Trustees do not make investments in securities that are not traded on regulated markets. However, should the Trustees Plan's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure) such investments would normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustees would ensure that the assets of the Plan are predominantly invested on regulated markets.

- The Trustees recognise the risks inherent in holding illiquid assets. The Trustees have carefully considered the Plan's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Plan is subject to currency risk because some of the investment vehicles in which the Plan invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 10 sets out how these risks are managed.

Responsibility for the custody of the Plan's assets is delegated to MGIM. MGIM has appointed State Street Custodial Services (Ireland) Limited (State Street) as global custodian of the assets underlying their pooled vehicles with the exception of Private Investment Partners III Fund where State Street Bank and Trust Company is the custodian and Private Investment Partners IV Fund where Apex Fund Services S.A. is the custodian. Mercer is responsible for keeping the suitability of State Street under ongoing review.

Should there be a material change in the Plan's circumstances, the Trustees will inform Mercer, who will review the de-risking strategy in place and advise the

Trustees accordingly. The Trustees will then decide whether to amend the strategy.

This Statement will be updated following any resulting change to the strategy.

5. Investment Strategy

The Trustees, with advice from the Plan's Investment Consultant and Scheme Actuary, and in conjunction with the Company, review the Plan's investment strategy on an approximately annual basis. This review considers the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

The Plan's funding level (on a "gilts+0.5%" basis) is monitored by Mercer against trigger levels set by the Trustees.

A reduction in the target allocation to return-seeking assets (the "Growth Portfolio"), in favour of defensive assets (the "Matching Portfolio"), is automatically made by Mercer as and when a trigger level is reached. To reflect improvements in the funding level in March 2024 the Trustees and Company agreed to move to the final de risking trigger, with a 22% fixed weight allocation to growth assets, subject to further review in conjunction with the 31 December 2023 actuarial valuation results at the end of the year. The trigger levels and corresponding target allocations are set out in the SIA.

The intention is to allow for the capturing of funding level gains whilst maintaining at least a 50% probability of being fully funded by 2031.

The trigger levels are reviewed on an approximately annual basis to allow for the payment of contributions and the reduced period until the target date for completion of de-risking. In addition, the recalibration will take into account any significant investment and Plan experience over the year.

For the avoidance of doubt, once the funding level has moved through a trigger, the asset allocation will not be automatically "re-risked" should the funding level deteriorate.

The de-risking strategy takes account of the Plan's initial funding level and expected contributions from the Company based on the current Schedule of Contributions.

Responsibility for monitoring the Plan's asset allocation and undertaking any rebalancing activity when the range restrictions are breached is delegated to Mercer. Mercer reports quarterly to the Trustees on rebalancing activities.

6. Realisation of Investments

The Trustees on behalf of the Plan shares in the Mercer Funds. The investment managers to the Mercer Funds, (including the underlying third party asset managers appointed by MGIE), within parameters stipulated in the relevant appointment documentation, have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters.

7. Additional Assets

Under the terms of the trust deed the Trustees are responsible for the investment of AVCs paid by members. The Trustees review the investment performance of the chosen providers on a regular basis and takes advice as to the providers' continued suitability.

8. Cashflows and Cashflow management

Cashflows, whether positive or negative, are taken into account by Mercer when it rebalances the Plan's assets in line with the strategic allocation. Mercer is responsible for raising cashflows to meet the Plan's requirements.

9. Rebalancing

As noted, responsibility for monitoring the Plan's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced Growth Portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustees and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

10. Responsible Investment and Corporate Governance

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Plan's assets and such assets are invested in a range of Mercer Funds managed by MGIE. This delegation includes decisions about environmental, social, and corporate governance (ESG) factors, stewardship and climate change.

The Trustees have reviewed Mercer's Sustainability Policy and agree that ESG factors may have a material impact on long-term investment risk and return outcomes, and that good stewardship can create and preserve long-term value for companies and markets as a whole. Mercer and MGIE also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

Mercer and MGIE support and expect the asset managers who are registered with the FCA to comply with current disclosure such as the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website. The Plan's asset managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies.

The Trustees review the Mercer annual ESG report which includes:

- Stewardship monitoring reporting which assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. These details are included in the Engagement Implementation Policy Statement as part of the annual report and accounts and is available online.

- Where available, ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report which is reviewed by the Trustees.
- Carbon footprint analysis versus the index on the Mercer equity portfolios the Plan invests in and other relevant asset classes where data is available. The Financial Stability Board established the Task Force on Climate-related Financial Disclosures ("TCFD") to develop recommendations for more effective climate-related disclosures. Mercer's Climate Change Management report highlights the approach to the TCFD framework in more detail, including example analysis on strategy and targets and metrics.

- Climate-related scenario and climate transition analysis modelling on the Mercer Funds used by the Plan within the Growth Portfolio.

- Detailed reporting of the Sustainable Global Equity Fund. The approach considers revenues that positively and negatively contribute to environmental and social outcomes (also mapped to the SDGs). The Actively managed Sustainable Global Equity Fund includes an allocation to an impact strategy employing fundamental analysis to target companies that aim to achieve positive Environmental and Social Impact.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustees thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Stewardship Policy.

Mercer has and will continue to consider sustainability themed investments on behalf of the Trustees. The Plan currently invests in a sustainable equity, sustainable listed infrastructure and a private markets sustainable opportunities fund.

The Trustees have also considered the Sponsors responsible investment policy.

The Trustees recognise the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assess whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Investment Restrictions

The Trustees have set a restriction on investment in the Mercer China Equity Fund on ESG grounds.

Member views are not currently explicitly taken into account in the selection, retention and realisation of investments.

11. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in Section 5, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, long-term liabilities.

As Mercer manages the Plan's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in Section 5. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Plan's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer, MGIE, Mercer AG [PIP IV] or Mercer LLC [PIP III] make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE, Mercer AG and Mercer LLC to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and

MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement. Section 10 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Plan.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE, Mercer AG and Mercer LLC may be based, at least in part, on their success in meeting expectations.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in Section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Plan's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

Mercer AG's and Mercer LLC's fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Fund.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's, Mercer AG's and Mercer LLC's and the third party asset managers' fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Plan's annualised MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Other than that in respect of private markets investments where turnover in the Mercer Funds does not usually apply, performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

12. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Date

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Trustee

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Trustee

For and on behalf of the Trustees of the Hendy Group Retirement Benefits Plan