MURRAY JOHNSTONE LIMITED RETIREMENT BENEFITS PLAN

STATEMENT OF INVESTMENT PRINCIPLES

1. BACKGROUND

This Investment Statement from the Aberdeen Pension Trustees Limited ("the Trustee"), Trustee of the Murray Johnstone Limited Retirement Benefits Plan ("the Plan"), sets down the principles governing decisions about investments for the Plan, a defined benefits scheme, to meet the requirements of the Pensions Act 1995 and subsequent Regulations (as amended). Before preparing it the Trustee has consulted the Principal Employer and obtained and considered the written professional advice from the Plan's consultant, Mercer Limited ("Mercer"), including advice contained in the latest valuation undertaken by the actuary. We will review this statement every year.

Our investment responsibilities are governed by the Plan's trust deed. A copy of the relevant clause, of which this statement takes full regard, is available on request.

2. INVESTMENT POLICY

The Trustee's key objective is to meet our obligations to the beneficiaries of the Plan.

The Trustee will also pay due regard to the interests of the Principal Employer on the size and incidence of contribution payments.

To achieve this objective, the Trustee reconsiders the appropriateness of the Plan's investment strategy following the results of each actuarial valuation and at other times as required. As a result of these reviews, the Trustee decides on an investment strategy intended to produce an appropriate return taking into consideration the risks involved. The Trustee's attitude to risk is discussed in section 3.

The Trustee employs abrdn Investments Limited as investment manager to invest the assets of the Plan. abrdn Investments Limited is regulated by the Financial Conduct Authority. As required by the Pensions Act 1995 and subsequent Regulations, we have entered into a signed Agreement with them which provides important protections for the Plan and the Trustee as well as setting out the terms on which the assets are managed; the investment brief, guidelines and restrictions under which the investment manager works.

The Trustee implemented a longevity hedging strategy in 2016.

As part of the 2017 investment review, the Trustee confirmed their desire to reintroduce their de-risking strategy in order to de-risk the investment arrangements, when affordable to do so, as the Plan progresses towards its long term investment objective. The Plan completed the de-risking process, with the last de-risking step taken in 2022.

As a result of the de-risking, 100% of assets are allocated to a matching portfolio which has a Liability Driven Investment ("LDI") approach. The LDI portfolio invests in assets with cash flows that provide an approximate match to the interest rate and inflation sensitivity of a proportion of the expected liability cash flows, taking into account the credit assets which are also held in the matching portfolio. The matching portfolio provides protection for the funding level of the Plan and better control over the deficit. Currently 87.5% of the portfolio is allocated to the specific LDI portfolio, with the remaining 12.5% invested in corporate bonds.

The overall aim of the portfolio is to hedge 100% of the interest rate and inflation exposure of the Plan liabilities on a gilts flat basis.

The current investment strategy is summarised in the Appendix.

Additional voluntary contributions (AVCs)

The Trustee invests members' additional voluntary contributions in an insurance policy with the Phoenix Group.

With the assistance of Mercer, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the trustees and needs of the members.

3. THE TRUSTEE'S POLICY WITH REGARD TO RISK MEASUREMENT AND MANAGEMENT

The key risks considered by the Trustee are as follows:

- The risk that the investment strategy fails to deliver sufficient returns to meet the trustees' obligations to beneficiaries;
- The risk that the investment returns result in volatile performance relative to the liabilities, which in turn results in a high variability in the funding position and the cost incurred by the employer. Sources of this volatility include:
  - Interest rate risk (the risk that the assets do not move in line with the value placed on the Scheme's liabilities in response to changes in interest rates)
  - Inflation risk (similar to interest rate risk but concerning inflation)
  - Environmental, Social and Governance ("ESG") risks which are covered in more detail in Section 7.

The Trustee measures these risks by considering quarterly monitoring reports showing how the assets and liabilities are changing. The portfolio invests in bonds and derivatives to mirror the interest rate and inflation sensitivity of the liabilities and thus, to ensure that the volatility of asset returns relative to the liabilities remains acceptable. The mix of investments is reviewed on a formal basis at each actuarial valuation.

The Trustee also pays close regard to the volatility which may arise through a lack of diversification of investments – this risk is managed by investing in a credit portfolio where the Trustee has stipulated constraints on the amounts that can be invested in any single issuer.

- The risk that assets are not able to be realised at short notice without incurring significant costs.

  Currently c.12.5% of the portfolio consists of corporate bonds which are held on a “buy and maintain” basis. Hence it is accepted that this portfolio is less liquid, as it is understood that this portfolio will not need to be realised in the foreseeable future unless required for collateral purposes. The remaining c.87.5% of the portfolio is held in an LDI mandate and taken together both elements contribute to the overall liability hedge ratio.

- The risk of investment manager underperformance.

  As the corporate bond allocation of this portfolio is held on a “buy and maintain” basis, there is no formal performance benchmark – it is expected that this portfolio will deliver an excess yield above gilt markets, whilst avoiding as far as possible any defaults and downgrades. Hence whilst this portfolio will not be closely monitored against a benchmark the Trustee will assess its performance relative to the wider bond benchmarks and will obtain regular reports from the manager in relation to any potential individual credit issues.

  The performance of the LDI allocation is measured against changes in a proportion of the liability cashflows, after making an adjustment for the cost of unfunded exposure.

- The risk that members live longer than expected in aggregate (Longevity Risk)

  To help reduce the uncertainty regarding the amount of assets that will be required to meet the liabilities, the Plan has implemented a longevity insurance contract with Zurich Assurance Limited.

  The longevity insurance contract hedges the risk of members covered by the contract living longer than expected. The Plan will make a series of fixed payments over the expected lifetimes of the named members and in return will receive a series of floating payments over the actual lifetime of those members.

  The effect of the longevity hedge is to fix the Plan’s exposure to longevity for the pensioners covered and transfers their longevity risk to Zurich Assurance Limited. This eliminates the risk of additional contributions being required in respect of the relevant members living longer than expected.

4. CASHFLOW AND REALISATION OF INVESTMENTS

The split between corporate bonds and LDI in the portfolio is monitored and maintained within the target ranges by abrdn Investments Limited.

In addition, the allocation between the corporate bond and LDI sub-portfolios may be adjusted to manage the collateral requirements of the LDI portfolio.

5. INVESTMENT GOVERNANCE GROUP PRINCIPLES

The Trustee has produced a document recording their position on each of the Investment Governance Group principles (formerly known as the Myners principles). This document is reviewed on a regular basis and is available on request.

6. SOCIALLY RESPONSIBLE INVESTMENT/CORPORATE GOVERNANCE

The Trustee believes that good stewardship, environmental, social and corporate governance ("ESG") issues may have an impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Plan when considering how to integrate these issues into the investment decision making process.

The Trustee recognises that, where the assets of the Plan are managed in pooled arrangements, the investment manager has full discretion when evaluating ESG factors including climate change considerations, and exercising stewardship obligations attached to the Plan's investments. This includes undertaking activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee regularly monitors the actions of abrdn Investments Limited and an annual presentation from the investment manager on ESG practices is part of the Trustee's business agenda.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring investment managers. The Trustee monitors the investment consultants ESG ratings that are assigned to the investment managers' funds. The Trustee is satisfied that their manager's policy corresponds with the best interests of the Plan members.

The Trustee has not set any restrictions on the investment manager in relation to particular products or activities, but may consider this in future.

The Trustee acts on what it considers to be in the best interests of the wider membership having taken such independent advice as is appropriate. As such, members' views and opinions are not taken into account in the selection, retention and realisation of investments.

7. INVESTMENT MANAGER MONITORING AND ENGAGEMENT

Incentivising the investment manager to align its investment strategy and decisions with the Trustee's policies:

To implement the policies in the above sections, the Trustee has appointed the investment manager based on its capabilities and, therefore, the perceived likelihood of achieving the expected return and risk characteristics required for the asset classes for which the Trustee has appointed them.

If the investment objective for a particular fund changes, the Trustee will review the fund to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Incentivising the investment manager to make decisions based on assessments about medium and long-term financial and non-financial performance of an issuer, and to engage with issuers in order to improve their performance in the medium to long-term:

The Trustee will also consider Mercer's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment manager's policy on engagement.

The Trustee meets with the investment manager approximately annually and can challenge decisions made including engagement activity to try to ensure the best performance over the medium to long-term.

Aligning the evaluation of the investment manager's performance and remuneration for investment management services with the Trustee's policies:

The Trustee receives investment performance reports from the investment manager on a quarterly basis, which present performance information over the three month period. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the investment manager's stated target performance (over the relevant time period). The Trustee's focus is primarily on long term performance but short term performance is also reviewed.

Monitoring portfolio turnover costs incurred by the asset manager:

The Trustee receives MiFID II reporting from their investment manager but does not analyse the information.

The Trustee does not currently monitor portfolio turnover costs but may look to do so in the future.

The duration of the arrangement with the asset manager:

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustee decided to terminate the contract.

8. COMPLIANCE WITH THIS STATEMENT

Aberdeen Pension Trustees Limited, Trustee of the Murray Johnstone Limited Retirement Benefits Plan, the investment manager and Mercer Limited, our consultants, each have duties to perform to give effect to the Principles contained within this Statement. These are:

The Trustee will review this Statement every year on the advice of Mercer Limited and will update it on any material change of the investment arrangements.

The investment manager will prepare reports from time to time to the trustees including:

- valuation of all investments held for the Plan

- records of all transactions together with a cash reconciliation

- a review of recent actions undertaken on behalf of the Plan together with a summary of their current stated policy.

The investment manager, who has received a copy of this Statement, will have regard to the need for diversification and suitability of investments to the Plan and the Trustee's principles contained herein.

Mercer Limited, our consultants, will provide the advice needed to allow us to review and update this statement annually (or more frequently if required, following any material changes to the investment policy).

Aberdeen Pension Trustees Limited, Trustee of the Murray Johnstone Limited Retirement Benefits Plan

December 2022

Appendix 1 - Investment Management Arrangements

Overall Plan Benchmark

The Plan's assets are fully invested in a matching portfolio (100% of assets). The portfolio is monitored and maintained by abrdn Investments Limited.

	Allocation (% of Plan assets)
Matching Portfolio	100
Total	***100***

These target allocations exclude the value of the longevity insurance contract.

Matching Portfolio

Asset class	**Allocation (% of fund)**	**Range**	**Benchmark**
Long Term corporate bonds ("buy and maintain")	12.5	n/a	Not applicable – buy and maintain strategy
LDI portfolio	87.5	n/a	The return of 100% of the Scheme's Liability Benchmark Portfolio.

Corporate Bonds

The objective is to maintain a portfolio of Sterling credit bonds, managed on a buy and hold basis. The Credit Portfolio will aim to maintain a duration of at least one year above iBoxx Sterling Non-Gilt over 15 Years Index. abrdn Investments Limited has discretion over the selection of new sterling credit bonds to invest coupon income or any contributions into the mandate, but will keep in mind the Trustee's objective of maximising duration.

abrdn Investments Limited aims to invest in securities that have an average spread to government bonds that is at least equal to the spread on iBoxx Sterling Non-Gilt over 15 Years Index minus 50bps (the deduction being owed to the narrowing of the investment universe due to duration targeting and desire for credits for long term hold).

Note that although there is no formal benchmark for this portfolio, the Trustee will monitor performance against a suitable market index comparator on a regular basis and with reference to the funding position.

The Trustee will use the coupon income from this portfolio to assist with benefit payments as and when this is required.

LDI portfolio

The objective of the LDI portfolio is to provide Plan-specific inflation and interest rate hedging, after making allowance for the interest rate exposure provided by the allocation to corporate bonds, in order to match the movements of a proportion of the Plan's liabilities.

The LDI portfolio has no formal benchmark and is measured against the changes in a proportion of the Plan liability cashflows, after making allowance for funding costs associated with the unfunded proportion of the LDI portfolio.

Fees:
The management fees paid on in-house funds are being rebated to the Trustee by the creation of additional units in the Fund.

For the longevity insurance contract no initial consideration was paid. Fees for the longevity hedge are embedded in the fixed leg of the longevity hedge agreed with Zurich at the contract inception, and are a fixed percentage of each fixed leg payment.

Management of Cashflows

All new monies invested in (or disinvested from) the Plan are invested and/or disinvested in such a way as to bring the overall portfolio in line with the asset allocation that is currently being targeted – this is managed by the fund manager.