FRAMLINGTON GROUP PENSION PLAN

Statement of Investment Principles

December 2023

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1 Introduction

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Framlington Group Pension Plan ("The Plan") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Plan.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 Investment Objectives

The Trustees' primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstance of the Plan.

The Trustees believe that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Plan Actuary.

3 Investment Responsibilities

3.1 Trustees' Duties and Responsibilities

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

They carry out their duties and fulfil their responsibilities as a single body. Moreover, the trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement.
- The appointment and review of the investment managers and investment advisers.
- The assessment and review of the performance of each investment manager.
- The setting and review of the investment parameters within which the investment managers can operate.
- The assessment of the risks assumed by the Plan at a total Plan level as well as on a manager by manager basis.
- The approval and review of the asset allocation benchmark for the Plan.
- The compliance of the investment arrangements with the principles set out in the Statement.

3.2 Investment Adviser's Duties and Responsibilities

The Trustees have appointed Mercer as the investment adviser to the Plan. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives.
- Determining investment strategy and asset allocation.
- Determining an appropriate investment structure.
- Framing manager mandates.
- Selecting and replacing investment managers.
- Monitoring the performance of the Plan's investment manager.
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

Mercer is remunerated primarily on a time-cost basis. Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice. The Trustees believe that this is the most appropriate adviser remuneration structure for the Plan.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 Arrangement with Investment Manager

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, after considering appropriate investment advice, have appointed a professional, authorised investment manager to manage the assets of the Plan.

The details of the manager's mandate and the basis of the contracts between the Trustees and their investment manager are set out in Appendix C.

In particular, the investment manager is responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios it manages.

The investment manager invests in pooled investment funds and the Trustees accept that they cannot specify the risk profile and return targets of the pooled funds. However, the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

In the case of multi-asset mandates, the investment manager is responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The investment manager engaged by the Trustees is authorised and regulated by the FCA.

None of the underlying pooled funds in which the Plan's assets are invested have performance based fees which could encourage the investment manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment manager to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The investment manager is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Plan. The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Plan is invested, but are satisfied that the ad-valorem charges for the different underlying pooled funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this is an appropriate basis for remunerating the investment manager and is consistent with the Trustees' policies as set out in this SIP.

3.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Plan Actuary and the Plan administrators, in so far as they relate to the Plan's investments, is set out at Appendix 4.

4 Investment Strategy

4.1 Setting Investment Strategy

The Trustees have determined their investment strategy after considering the Plan's liability profile and their own appetite for risk, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant.

The basis of the Trustees' strategy is to invest the Plan's assets in a "matching" portfolio, comprising assets such as bonds and liability driven investments ("LDI").

The Trustees have established a benchmark allocation to each asset class, which is set out in Appendix 1. They have also set a range within which the allocation to each asset class is allowed to move without the need for corrective action to be taken.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to re-balance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2 Investment Decisions

The Trustees distinguish between three types of investment decision: strategic, tactical and security-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Plan.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives.
- Determining the split between the growth and the matching portfolios.
- Determining the allocation to asset classes within the growth and matching portfolios.
- Determining the Plan benchmark.
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Security Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Plan is invested.

4.3 Types of Investments to be Held

The Plan's assets are invested wholly via pooled vehicles.

The Trustees are permitted to invest across a wide range of asset classes, including the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash

The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

4.4 Financially Material Considerations

The Trustees consider many risks which they anticipate could impact the financial performance of the Plan's investments over the Plan's expected lifetime. Such risks are set out in the next section of this document.

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process.

The Trustees further recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. The Trustees believe in a sustainable approach to investment and therefore, other factors being equal, the Trustees seek to invest in funds which incorporate ESG principles.

The Trustees are invested in pooled funds managed by the investment manager. The Trustees have reviewed the investment manager's ESG integration process and Climate Risks Policy and note that these are applied to the pooled funds that the Plan is invested. The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

The Trustees receive ESG scores provided by the investment manager in relation to the pooled funds in which the Plan is invested and will monitor how these develop over time.

The Trustees believe that the importance of ESG considerations will increase over time and have therefore built an ongoing review of this into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

4.5 Non-Financial Matters

The Trustees have determined that the financial interests of the Plan members are their first priority when choosing investments. However, they may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Plan's investments over the lifetime of the Plan, if they believe that such factors reflect the views of members.

4.6 Stewardship

As the Plan is invested in pooled funds, the Trustees have concluded that the decision on how to exercise voting rights should be left with their investment manager, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Plan's benefit.

The Trustees note that the Investment Manager's corporate governance policies are available on request and on their respective websites.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's membership.

The Trustees will monitor the performance, strategy, risks, ESG policies and corporate governance of their investment manager. If the Trustees have any concerns, they will raise them with their investment manager.

5 Risk

The Trustees are aware, and seek to take account, of a number of risks in relation to the Plan's investments, including the following.

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- They are managed by setting a Plan -specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Plan over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The majority of the Plan's assets are invested in quoted markets and are as readily realisable as the Trustees feel appropriate given the cashflow position of the Plan and the expected development of the Plan 's liabilities, both of which are monitored by the Trustees.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through regular assessment of the levels of diversification within the investment policy.

Corporate Governance Risk

- This is assessed by reviewing the Plan's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Plan's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Plan invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk; currency risk, interest rate risk and other price risk, which are described below.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, it may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Plan's liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the Plan's assets to be exposed to a similar level of interest rate risk. The Trustee Directors manage the Plan's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

ESG risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustees manage this risk by investing with an investment manager where ESG principles are an established part of the investment decision making process and by regularly reviewing the ESG scoring of the manager.

6 Monitoring of Investment Adviser and Manager

6.1 Investment Adviser

The Trustees regularly assess and review the performance of their adviser in a qualitative way.

6.2 Investment Managers

The Trustees receive quarterly reports from their investment manager, which present performance information over 3 months, 1, 3 and 5 years where available and since inception.

The reporting reviews the performance of the Plan's individual funds against their benchmarks over the relevant time period. They also provide returns of market indices so that these can be used to help inform the assessment of the underlying managers' performance.

The Trustees receive quarterly monitoring reports from Mercer, which reviews the performance of the Scheme's assets in aggregate.

Changes will be made to the underlying pooled funds if there is a strategic change to the overall strategy that no longer requires exposure to that asset class.

6.3 Portfolio Turnover Costs

Portfolio turnover refers to the frequency within which the assets of the Plan are expected to be bought or sold, whilst turnover range refers to the minimum or maximum frequency within which the assets of the Plan are expected to be bought or sold.

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments. The Trustees note that the performance monitoring reports that they receive are net of all such costs.

As the Trustees currently invest in an LDI Fund and a Buy and Maintain Credit fund, portfolio turnover costs are expected to be low and will be mainly incurred in relation to reinvestment of income and rebalancing. The Trustees will monitor this going forward and will engage with the investment manager should turnover be higher than anticipated.

7 Additional Voluntary Contributions ("AVC's")

The Plan had a facility for members to pay AVCs to enhance their benefits at retirement. This facility was closed on 31 December 2003 for the receipt of new contributions, but existing AVC funds remain invested in the AXA Framlington Managed Balanced Fund. Members invest in the Managed Balanced Fund with AXA Investment Management.

The AVC funds are held separately from the 'main' Plan assets.

8 Code of Best Practice

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees are satisfied that the investment approach adopted by the Plan is consistent with the guidance so far as it is appropriate to the Plan's circumstances.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Plan's circumstances and in relation to evolving guidance, and will revise the Plan's investment approach if considered appropriate.

9 Compliance

The Plan's Statement of Investment Principles and annual report and accounts are available to members on request. A copy of the Plan's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plan's investment managers, the Plan's auditors and the Plan Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 8 December 2023.

Signed on behalf of the Trustees by	....	....
On	....	....
Full Name	....	....
Position	....	....

Appendix 1: Plan Asset Allocation Benchmark

The Trustees have agreed for the assets of the Plan to be invested in the following pooled investment funds or accounts (the "Funds"), with an objective of targeting a hedge of around 100% of the interest rate and inflation rate risk exposure of the Plan:

Fund	***Percentage of total Plan assets invested in the Fund***
AXA IM Smart Matching Solutions Fund J (the "LDI Fund"), which may invest a portion of its assets in the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund	*100% in the LDI Fund*

As all of the assets are invested in Fund J, the "LDI fund", the Plan does not have any individual benchmark allocation to *AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund.*Cashflow and Rebalancing Policy

Where possible, cash outflows will be met from the income of the Plan's investments in order to minimise transaction costs. Where the investment income is insufficient to meet these requirements, monies will be raised through the sale of assets in such as a way as to retain a prudent yield headroom of assets for the LDI portfolio, subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required.

Similarly, where cash inflows are received, monies will be invested in such a way as to reduce portfolio leverage and enhance yield, unless market conditions suggest otherwise.

In each instance, the Trustees will seek advice from the Plan's investment adviser with regard to the investment or disinvestment of these monies.

Appendix 2: Investment Manager Information

The Plan invests with the following investment manager:

- AXA Investment Manager ("AXA IM")

The tables below show the details of the mandate(s) with each manager.

Matching Assets

AXA IM

The funds that the Plan invests in with AXA IM are set out below:

Fund	***Percentage of total Plan assets invested in the Fund***
AXA IM Smart Matching Solutions Fund J (the "LDI Fund"), which may invest a portion of its assets in the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund	*100% in the LDI Fund*

In March 2023, the Trustee decided to bring the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund under the AXA IM Smart Matching Solutions Fund J structure. This decision was taken to ensure the target hedge ration was met and ensuring that cashflow was generated such that the Scheme can meet benefit payments whilst minimising risk.

Fund J has an objective to hedge 100% of the Plan's exposure to changes in interest rates and inflation, after taking into account the Plan's holding in the AXA Sterling Buy and Maintain Credit Fund.

Fund J is leveraged and has upper and lower rebalancing limits.

If deleveraging of Fund J is required to reduce the hedging multiple, such that the existing assets become insufficient to manage the current hedging structure under current regulatory requirements, the Plan's investment adviser will provide advice on where monies should be invested or disinvested.

Appendix 3: Responsibilities of Parties

Trustees

The Trustees' responsibilities include the following:-

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate.
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Plan Actuary.
- Appointing the Investment Managers and custodian (if required).
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser.
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement.
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis.

Investment Adviser

The Investment Adviser’s responsibilities include the following:-

- Participating with the Trustees in reviews of this Statement of Investment Principles.
- Production of independent performance monitoring reports.
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Plan Actuary, how any changes within the Plan’s benefits, membership, and funding position may affect the manner in which the assets should be invested.
  - How any changes in the Investment Managers organisation could affect the interests of the Plan.
  - How any changes in the investment environment could present either opportunities or problems for the Plan.
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy.
  - Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians.

Investment Manager

The Investment manager’s responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios.

- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur.
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments.
- Giving effect to the principles contained in the Statement as far as is reasonably practicable.

Plan Actuary

The Plan Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan.
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall.
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels.

Administrator

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due.
- Paying benefits and making transfer payments.
- Investing contributions not required to meet benefit payments with the Investment Manager according to the Trustees' instructions.