Tandem Group Pension Plan

Statement of Investment Principles

September 2019

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1. INTRODUCTION

1.1 This document outlines the investment principles adopted by the Trustees in relation to the Tandem Group Pension Plan ("the Plan"). The sponsoring employer is Tandem Group plc.

1.2 This document has been prepared in order to comply with the requirements of legislation, in particular:

- Section 35 of the Pensions Act 1995
- The Occupational Pension Schemes (Investment) Regulations 2005
- The Occupational Pension Schemes (Investment) (Amendment) Regulations 2010
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

1.3 The Trustees have also considered:

- The 2001 Myners review of institutional investment (and subsequent updates)
- Guidance issued by the Pensions Regulator
- The UK Stewardship Code

1.4 In preparing this Statement the Trustees have taken appropriate written advice from Mark Frost FIA, the Plan Actuary. The Trustees have also consulted with the sponsoring employer. The advice and consultation process considered the suitability of the Trustees' investment policy for the Plan.

1.5 The Plan provides final salary related benefits and is a registered pension scheme. There is no employer-related investment, and none is intended. The employer intends to remit all relevant contributions to the Trustees within the relevant timescales.

1.6 The Plan also has a Defined Contribution section which is invested differently from the principles described in this Statement. In the Defined Contribution section, members have a wide range of options from which to choose how to invest the assets that are allocated to them. The Trustees have determined to wind-up the Defined Contribution section and will be writing to affected members to inform them of their revised options.

1.7 Some members may obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Plan. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

1.8 The Trustees will review this document at least every three years. Any changes will only be made if based on appropriate written advice and after consulting with the sponsoring employer.

1.9 A copy of this Statement is available for inspection by Plan members.

2. GOVERNANCE STRUCTURE

2.1 The Trustees set the general investment policy, based on professional advice, but delegate responsibility for day-to-day investment decisions to their appointed investment managers. The Trustees ensure that any person to whom such responsibility is delegated is authorised under the Financial Services and Markets Act 2000. A copy of this Statement will be provided to the investment managers appointed.

2.2 The Trustees' responsibilities include, but are not limited to the following tasks:

- setting the overall investment objectives in light of the Plan's circumstances
- making strategic investment decisions to achieve these objectives, eg the risk / return profile and proportion of the investments to hold in which asset classes
- reviewing the content of this document and amending if necessary, in consultation with the employer and based on written advice from appropriately qualified advisers
- ensuring the investment policy remains appropriate for the nature of the Plan's liabilities and given the strength of support from the employer
- ensuring that benefits can be paid as and when they fall due
- appointing the investment managers and investment advisers, and setting objectives for each
- monitoring the performance of the investment managers and investment advisers
- ensuring compliance of the investment arrangements with the principles outlined in this document

2.3 The investment manager's responsibilities include:

- using their discretion to invest the assets of the Plan as they deem appropriate, within the guidelines contained in this document
- having regard to the need for diversification of investments, and to provide details to the Trustees of how they have achieved this
- providing the Trustees with regular statements describing the investment performance of funds under their management, as well as comparable figures from benchmark indices

2.4 The investment adviser's responsibilities include:

- advising on an appropriate investment strategy to meet the Trustees' investment objectives within an appropriate level of risk

- advising the Trustees on the choice of investment managers and alerting the Trustees to any significant changes at the investment managers

- providing the trustees with information on the performance of the investment managers

- advising on changes to the Statement of Investment Principles

- advising on disinvestments where required

2.5 The Plan's lawyer may be consulted to advise on:

- How the Trustees' investment strategy achieves and maintains compliance with legislation

- The contractual aspects of agreements with investment managers

2.6 The Plan Actuary's responsibilities include:

- performing the statutory actuarial valuations and reports and advising the Trustees of any significant changes in liability profile that could affect the investment strategy

2.7 The Plan Administrator's responsibilities include:

- advising the Trustees of the cash required to meet benefit payments as and when they fall due. This includes provision of periodic cash flow forecasts

- monitoring the receipt of contributions and alerting the Trustees if this is out of line with the Trustees' Schedule of Contributions

- payment of benefits and transfer values to the correct recipients

3. BELIEFS

The Trustees' investment beliefs, which underpin their decision making, are as follows:

3.1 Risk is necessary to achieve return, but not all risks are rewarded.

3.2 Risks that are not sufficiently rewarded should generally be avoided, hedged or diversified.

3.3 Finding investment managers who can consistently spot and exploit market opportunities is generally difficult; passive management can be better value in developed markets.

3.4 Well governed companies that manage their businesses in a responsible way will produce higher returns over the long term.

3.5 Climate change could be a long-term risk for the scheme and has the potential to impact the scheme's investment strategy.

3.6 Investing responsibly and engaging as long-term owners reduces risk over time and may positively impact scheme returns.

4. OBJECTIVES

4.1 The Trustees' investment objectives are as follows:

- to acquire suitable assets such that these, together with new contributions from the employer, are expected to be sufficient to meet the cost of current and future benefits as they fall due

- to limit the risk of assets failing to meet the liabilities over the long term

- to address the cashflow and liquidity needs of the Plan noting the high proportion of pensions in payment

- to minimise the long-term costs of the Plan by maximising the return on the assets, whilst having regard to the objectives above

- to achieve a return in line with the Plan's funding plan over the long term

- to manage the volatility of returns, in order to control the risk of volatility in the employer's contributions

- to pay due regard to the sponsoring employer's preferred investment strategy coupled to the Trustees' perception of the employer's ability to fund higher contributions should the returns achieved from the agreed investment strategy require additional cash injections

4.2 The Trustees set the investment objectives in the expectation that the Plan is continuing as a closed scheme for the long term. If the Trustees become aware of circumstances which lessen the certainty of this the Trustees will take steps to adjust the investment strategy as appropriate at the time.

5. CURRENT INVESTMENT STRATEGY

The kinds of investment to be held

5.1 The Trustees and the sponsoring employer have agreed a funding plan based on the assumption that the Plan will invest in a range of diversified asset classes that in the long term is expected to consist broadly of 40% growth assets (including equities, property and alternative 'real' asset classes) and 60% defensive assets (including gilts and bonds and high yield bonds).

However, the Trustees can depart from this broad long-term allocation as they see fit and after consulting the employer, provided it is consistent with the funding plan and with the requirement to have regard to suitability and diversification of investments.

Current asset allocation

5.2 The Trustees have delegated the day-to-day management of their funds to the fund managers as shown below:

Investment Manager	Fund	Benchmark Proportion
Baillie Gifford	Diversified Growth Fund	19.5%
M&G	Absolute Return Fund	19.5%
M&G	Total Return Credit Investment Fund	10.0%
Mobius Life	Property Fund	12.0%
BlackRock	All Stocks Corporate Bond Fund	10.5%
Legal & General	Dynamic Diversified Fund	19.5%
Legal & General	All Stocks Gilts Index Fund	9.0%

5.3 The actual allocation of assets may vary from the benchmark proportions from time to time as a result of market movements.

Managers' Objectives

5.4 The managers of the funds are aiming to achieve the following:

Fund	Objective
Baillie Gifford Diversified Growth Fund	To deliver returns of at least 3.5% pa ahead of UK base rate (net of fees) over rolling five year periods, whilst limiting volatility to less than 10% pa over rolling five year periods.
M&G Absolute Return Fund	To provide a real return of 5% pa above the rate of inflation over a rolling five year period.
M&G Total Return Credit Investment Fund	To deliver a return of one month LIBOR plus 3% to 5% pa gross of fees over the medium term.
Mobius Life Property Fund	To outperform the UK Property market on a three year rolling basis.
BlackRock All Stocks Corporate Bond Fund	To outperform the iBoxx Sterling Non-Gilts Bond Index.
Legal & General Dynamic Diversified Fund	To deliver returns of 4.5% pa above the Bank of England Base Rate over a full market cycle.
Legal & General All Stocks Gilts Index Fund	To track the performance of the FTSE Actuaries UK Conventional Gilts All Stocks Index to within +/- 0.25% each year for two years out of three.

5.5 The managers expect to achieve their objectives in the majority of their respective objective periods, although it is not expected that each manager will necessarily achieve their target in every respective period.

New money / disinvestment

5.6 Any new investments or disinvestments will be made in accordance with the benchmark proportions shown in 5.2 above, unless the Trustees decide to use the cashflow to bring the actual proportions back towards the benchmark.

Expected return on investments

5.7 The Trustees expect total returns, over the long term, on:

- growth funds to average at least 2.4% in excess of RPI inflation, after managers' expenses,
- defensive funds to average at least the yield on a long-dated AA rated bond index less 0.2% pa, after managers' expenses

as set out in the Plan's Statement of Funding Principles.

Manager Monitoring

5.8 The Trustees will assess the performance of the investment managers regularly and review their appointments and fee structures at least every three years. The Trustees will consider the managers' compliance with the requirements of the Pensions Act concerning diversification and suitability, where relevant.

Rebalancing

5.9 The Trustees may use cashflows payable to/from the Plan to help rebalance the allocations occasionally. However, a full rebalance will only take place if there is a formal strategy review, and there will no automatic rebalancing.

5.10 The Trustees will review the asset allocation, and may change those shown in the above table, at least every three years in the light of actuarial valuations. Any changes to the strategy or to the manager will be made only after obtaining written investment advice and after consulting with the employer.

6. SUITABILITY

Plan Funding

6.1 The Trustees have taken advice from the Plan Actuary to confirm that the Plan's investment strategy is consistent with the funding plan.

Risk capacity

6.2 Risk capacity is the maximum level of risk that the Trustees believe it is appropriate to take in the investment strategy.

6.3 The Trustees have acknowledged that the strategy is likely to result in some volatility of the funding position, and additional contributions may be needed from the employer to support the strategy.

6.4 The Trustees monitor the employer's covenant regularly, and are satisfied that the employer is strong enough to underwrite the risks within the investment strategy.

Risk appetite

6.5 Risk appetite is a measure of how much risk the Trustees are willing to take within the investment strategy, having considered the employer's views and the maximum risk capacity. The Trustees and the sponsoring employer have agreed that the Plan's existing asset allocation is suitable for the long term and consistent with their risk appetite.

6.6 The Trustees will continue to monitor the employer's covenant and may adjust the investment strategy if there is a change in the covenant strength.

7. TRUSTEE INVESTMENT POLICIES

Liquidity and cashflow management

7.1 Through the information provided by the Plan Administrator the Trustees will monitor the cashflow requirements of the Plan regularly.

7.2 When investments or disinvestments are required the Trustees will consider at the time which fund should be used to accept or provide the money.

7.3 The Trustees' policy is to ensure that the invested assets are sufficiently realisable to enable the Trustees to meet their obligations to provide benefits and meet expenses as they fall due.

Custody Risk

7.4 Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. Each investment manager is responsible for the appointment and monitoring of the custodians of their funds' assets.

Financially material considerations (including ESG)

7.5 The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material financial impact on investment returns.

7.6 The Trustees have given each individual fund manager their full discretion when evaluating ESG issues and in exercising rights, engagement activities[1], and stewardship obligations attached to the Plan's investments. However, the extent to which these factors are taken into account by the fund managers in the selection, retention and realisation of investments is considered by the Trustees as part of the process of selecting organisations with which to invest. The Trustees reserve the right to request from the manager information regarding their actions.

7.7 The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code, and the investment managers all have stated corporate governance policies which explain their approach to these principles.

7.8 The Trustees do not take any non-financial[2] matters into account in the selection, retention and realisation of investments.

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1 Under legislation "Engagement activities" include the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters. "Relevant matters" includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance. "Relevant persons" includes (but is not limited to) an issuer of debt or equity, an investment manager or another holder of debt or equity.

2 Under legislation, "non-financial matters" means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the trust scheme.

Delegation of Voting Rights

7.9 Similarly, the Plan's voting rights are exercised by each fund manager in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Long-term journey planning

7.10 Following each triennial valuation, the Trustees will ask the investment consultant to advise on the extent to which the investment strategy could, under the funding plan, be de-risked without requiring additional employer contributions or extending the recovery plan. However, the Trustees will not operate automatic de-risking but will consider the options for investment strategy at each review.

Liability hedging

7.11 The Trustees do not set any targets for liability hedging ratios for the Plan.

8. INVESTMENT RESTRICTIONS

8.1 The Plan's Trust Deed dated 24 May 1985 gives the Trustees a wide range of investment powers.

8.2 In accordance with the Pensions Act 1995, no direct investment shall be made in any of the following:

- property owned by or leased to the sponsoring employer
- securities issued by the sponsoring employer
- loans made to the sponsoring employer
- Any other asset that falls within the definition of employer-related investment in the Pensions Act 1995.

8.3 The Trustees recognise that where investment is through a pooled fund they may not be able to apply specific investment restrictions.

9. RISK MANAGEMENT

9.1 The Trustees recognise that there are a number of risks involved with investment of the assets of the Plan.

- *Volatility / capital loss:* the investments are subject to market fluctuations and other risks inherent in investing in securities. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest. There is no certainty that the investment objective of a fund will actually be achieved. The Trustees mitigate against this risk by diversifying assets across a range of investments. The Trustees have invested in a number of diversified growth funds, to reduce the risks of overexposure to a single asset class. The Trustees rely on the investment managers to produce a diversified portfolio to reduce stock-specific risks.

- *Solvency risk and mismatching risk:* the Trustees have decided to take some mismatching risk in their investment strategy and accept the resulting volatility in the Plan's funding level. The Trustees review the strength of support provided by the employer regularly, and will review the investment strategy immediately if it becomes aware that the covenant has worsened to the extent that the employer is unable to support this risk, or is at risk of insolvency.

- *Risk versus measurement of Plan liabilities:* the Trustees believe the employer's covenant is strong enough to support the level of risk within the investment strategy, but will review this at least at each triennial valuation or in the event of a change in the employer's covenant.

- *Manager risk:* addressed by the performance objectives set out in Section 5; and by regular monitoring of each manager's performance. The Trustees have appointed a number of investment managers to reduce the active manager risk.

- *Liquidity risk:* the Trustees will monitor cashflow requirements regularly.

- *Political risk:* the risk of political intervention having an adverse effect on asset performance is reduced by diversification of the assets across companies, geographical regions and restrictions on the amounts invested in foreign countries.

- *Currency risk:* the risk of mismatching the currency of the assets to that of the liabilities is reduced by the choice of fund or restricting the amount of overseas investment.

9.2 The Trustees will regularly monitor these risks.

This statement has been agreed by the Trustees

On 25/9/2019

Signed on behalf of the Trustees by

J C SHEARD

Name................................... Signature...................................

A BAKEWELL

APPENDIX A

Private and Confidential

24 September 2019

Andy Bakewell
20-20 Trustee Services Limited
St Nicholas Court, 1st Floor
Castle Gate West
25-27 Castle Gate
Nottingham
NG1 7AR

Dear Andy

Tandem Group Pension Plan (the "Plan")
Investment Strategy

As required by Section 35 (5) of the Pensions Act 1995 I am pleased to provide you with written advice as to the suitability of the investment strategy you have in place with respect to the Plan. The purpose of this letter is to consolidate the advice I have previously given and to act as a single point of reference for the Statement of Investment Principles (SIP).

I give this advice in my capacity as a representative of Quattro Pensions who are licensed by the Institute and Faculty of Actuaries to provide a limited range of investment advice.

I can confirm that I believe the investment strategy described in the SIP to which this letter is attached is, in my opinion, suitable to the needs of the Plan and in line with your objectives.

I recommend the investment strategy is reviewed following the results of future actuarial valuations and earlier if there is a significant weakening of the employer covenant.

Yours sincerely

PP Mark Frost FIA

APPENDIX C

Tandem Group Pension Plan (the "Plan")

Addendum to Statement of Investment Principles

September 2020

This document updates the Trustees' Statement of Investment Principles (SIP), and should be read in tandem with that document. Its purpose is to:

- set out further details of the Trustees' policies in relation to the stewardship of the Plan's assets,
- describe the arrangements that exist between the Trustees and the asset managers, and
- to ensure the SIP remains compliant with the relevant legislation:
    - Section 35 of the Pensions Act 1995
    - Section 244 of the Pensions Act 2004
    - The Occupational Pension Schemes (Investment) Regulations 2005
    - The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification Regulations 2018)
    - The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Monitoring the capital structure of investee companies

The Trustees delegate the responsibility for monitoring the make-up and development of the capital structure of investee companies to their Investment Manager.

Managing conflicts of interest

The Trustees have a formal conflict of interest policy and register, which is reviewed at each Trustee meeting. These documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for the management of any such conflict of interest.

Incentivising asset managers

The Trustees will select Investment Managers who are primarily remunerated via an agreed fixed annual percentage of the asset value for each underlying fund. The Trustees may also agree to pay a performance related fee to its fund managers.

The Trustees do not directly incentivise the Investment Manager to align its investment strategy and decisions with the Trustees' policies and objectives. Neither do the Trustees incentivise the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

However, the Trustees will review their Investment Managers from time to time and will select funds that they believe operate in line with the Trustees' policies and objectives, and will meet the Trustees' return requirements overall.

Evaluation of the asset manager's performance and remuneration

The Trustees will review the Investment Manager's remuneration and performance relative to the market costs and performance of managers with similar strategies.

Monitoring portfolio turnover

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager is expected to provide information on portfolio turnover and associated costs to the Trustees so that this can be a factor in the Trustees' review process.

The duration of the arrangement with the asset manager

The Trustees will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Plan's investments and AVCs. The Trustees expect the Investment Manager to supply the Trustees with sufficient information regularly to enable them to monitor financial and non-financial performance.

Frequency of review

The Trustees will review Investment Managers' performance via the managers' own regular reports and will conduct a fuller review to consider all of the matters referred to above at least once every three years.

Signed on behalf of the Trustees by

Name ANDREW BARKWELL .... Signature ....