

The Marks & Clerk Retirement and Death Benefits Scheme

Statement of Investment Principles

February 2026

1. Introduction

Dalriada Trustees Limited acting in its capacity as trustee of The Marks & Clerk Retirement And Death Benefits Scheme (“the Scheme”) have prepared this Statement of Investment Principles (“**the SIP**”) for the Defined Benefits section of the Scheme with effect from February 2026. It has been prepared in accordance with applicable legislation, taking into account guidance from The Pension Regulator and written advice from an independent investment adviser as required.

The purpose of the SIP is to set out the Trustee’s investment strategy in high level, including the investment objectives, investment strategy and other investment policies the Trustee has adopted.

The Trustee must review the SIP in consultation with the Sponsoring Employer at least every three years; and without delay after any significant change in investment policy or circumstances of the Scheme.

2. Scheme governance

The Trustee is responsible for the governance of the Scheme’s assets and the investment of these assets in the best interests of members and beneficiaries. The Trustee exercises its powers of investment in accordance with the Trust Deed and Rules of the Scheme and applicable law. Where the Trustee is required to make an investment decision, the Trustee must receive advice from the relevant advisers first. It believes that this ensures that it is appropriately familiar with the issues concerned.

The Trustee has delegated day-to-day investment of the Scheme’s assets to be undertaken through the fiduciary management service of Schroders Pension Management Limited (“**Schroders Solutions**”), hereafter referred to as the “**Fiduciary Manager**”. The Trustee is satisfied that the Fiduciary Manager has the appropriate knowledge and experience for managing the investments of the Scheme and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the “**Investment Regulations**”), the principles contained in this SIP and any applicable investment guidelines and restrictions agreed with the Trustee.

The Trustee acknowledges the potential for conflicts of interest as part of ongoing Fiduciary Management business activities. As an FCA regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where third party managers the Scheme invests in (“**the Underlying Managers**”) are also regulated, they may be required to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Fiduciary Manager monitors these conflicts as part of its regulatory filings (where applicable), and as part of ongoing review. The Fiduciary Manager’s Conflict of Interest policy is available to be shared to Trustee when required.

The Trustee considers that the governance structure is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policies, while delegating the day-to-day aspects to the Fiduciary Manager as appropriate.

3. Investment objectives and strategy

The primary objective of the Trustee of the Scheme with regard to investment policy is to meet the benefit payments promised to the Scheme's members as they fall due. Hence, the Trustee has defined the investment strategy with due regard to the Scheme's liabilities.

The Trustee has set the following investment strategy:

- 1) The acquisition of suitable growth and matching assets, having due regard to the risks set out in this SIP, which will generate income and capital growth to pay, together with any contributions from the Sponsoring Employer, the benefits which the Scheme provides as they fall due.
- 2) To limit the risk of the assets failing to meet the liabilities over the long-term having regard to any statutory funding requirement.
- 3) To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

Growth assets comprise a diversified range of investments including (but not limited to) developed and emerging market equities, corporate bonds and alternative assets, which are held with the aim of outperforming the Scheme's liabilities over the medium term.

Matching assets comprise investments including (but not limited to) UK government bond, corporate bonds and derivative exposures, which are held with the aim of matching the interest rate and inflation sensitivities of the Scheme's expected liabilities.

The current investment strategy is outlined in the table below:

Current Strategy	
Growth Assets	22.5%
Matching Assets*	77.5%
Target Liability Coverage	100% scaled to Asset Value
Portfolio Performance Target	Liability Benchmark Return +1.1% p.a. over rolling three-year periods

*Including LDI & CDI assets such as corporate bonds and securitised credit.

4. Arrangement with the Fiduciary Manager

The Trustee has appointed the Fiduciary Manager to implement the Scheme's investment strategy. The Fiduciary Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers. The Fiduciary Manager is appointed to carry out its role on an ongoing basis.

The Trustee and Fiduciary Manager have agreed a Direct Contract setting out the scope of the Fiduciary Manager's activities, performance objectives, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its

powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee periodically reviews the overall value-for-money of using the Fiduciary Manager, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Fiduciary Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve performance.

5. Arrangement with the Underlying Managers

The Investment Regulations require the Trustee to disclose its policies in relation to its arrangements with its Underlying Managers who are appointed by the Fiduciary Manager.

The Trustee incentivises its Underlying Managers via the Fiduciary Manager to align their investment strategies with the Trustee's mentioned in the SIP. However, the Scheme's investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, may not be aligned with the Trustee's investment policies.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The Fiduciary Manager regularly reviews the Underlying Managers on behalf of the Trustee in order to incentivise the Underlying Managers. These reviews include evaluation of the investment performance, remunerations and turnover cost of the investment funds in comparison to the peers.

The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Fiduciary Manager.

6. Monitoring

The Trustee will monitor the performance of the Fiduciary Manager against the agreed performance objectives.

The Trustee, or any other suitably qualified adviser on behalf of the Trustee, regularly reviews the activities of the Fiduciary Manager to satisfy themselves that the Fiduciary Manager continues to carry out their work competently, exercises its powers of investment with a view to giving effect to the principles in this SIP and has the appropriate knowledge and experience to manage the assets of the Scheme.

If the Trustee is not satisfied that the Fiduciary Manager is aligned with its policies, it will consider making changes to the Fiduciary Manager's mandate as necessary.

7. Derivatives

The Scheme will not directly invest in derivatives, but any exposure will be achieved via pooled funds, the Trustee has delegated the responsibility to enter into contracts with counterparties, including investment banks, in order to execute derivative transactions to the Fiduciary Manager. Derivative instruments are typically used for risk management purposes in the portfolio.

8. Realisation of investments

The majority of assets the Scheme holds can be realised easily when required. The Trustee will ensure that the Fiduciary Managers are made aware of the cashflow requirements of the Scheme. The Fiduciary Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Trustee to meet these cashflows.

9. Risk management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee will keep these risks and how they are measured and managed under regular review. The main risks include, but are not limited to:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
 - A liability proxy (“LP”) is used as a proxy for the liabilities in order to measure the approximate changes in the present value of the Scheme’s liabilities (due to changes to the relevant gilt yields only). The Trustee monitor this change relative to the change in asset values on quarterly basis. The LP is reviewed following each actuarial review, or when significant market or Scheme events (e.g. a significant change in inflation expectations) occur.
 - The Trustee recognises the risk of a negative impact on the funding level due to changes in the Scheme Actuary’s assumptions. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
 - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LP and can therefore also be assessed as part of the quarterly review process.
 - This risk is also monitored through regular actuarial and investment reviews.

- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
 - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
 - The use of instruments and strategies designed to control the extent of downside exposure.
 - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
 - Regular monitoring of the managers' performance, processes, and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the Investment Manager.
- **Cashflow risk** – which is the risk that the Scheme is unable to meet benefit payments as they fall due, addressed through the monitoring of the cashflow requirement of the Scheme to control the timing of any investment/disinvestment of assets.
 - The Trustee has also put in place a dedicated cashflow matching portfolio that is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **Environmental, Social and Governance (“ESG”) risk including Climate risk** – the risk of adverse performance due to ESG related factors including climate change. The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments. The Trustee is supportive of the Paris Agreement and will aim to achieve a carbon neutral portfolio (net zero) by 2050 or sooner. This risk is addressed by the following:
 - Climate change scenarios being considered as part of the Trustee's regular review of investment strategy from time to time (if applicable).
 - The Fiduciary Manager's ESG assessment at the point of investment with Underlying Managers.
 - The Trustee monitoring the overall ESG characteristics including carbon metrics of the portfolio in the quarterly governance report.
- **Sponsor risk** – the risk of the Sponsoring Employer becoming unable to support the Scheme which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Sponsoring Employer.

10. Financially material investment considerations

Financial material considerations, which include (but not limited to) ESG considerations (including, but not limited to, climate change), which the Trustee considers to be financially material.

The Trustee believes that certain ESG factors can have an impact on financial performance and part of its fiduciary duty is to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the length of time needed for the funding of future benefits of the Scheme. The Trustee considers a wide range of ESG risks, including corporate governance, human rights, labour and environmental standards and so on

and it believes that climate risk presents a material financial risk to the assets invested in its portfolio.

The Trustee currently does not have a standalone ESG policy, but the Trustee's policy is to delegate the monitoring and overall management of financially material ESG risks and opportunities to the Fiduciary Manager. The Trustee is comfortable with the delegation given the approach the Fiduciary Manager takes towards ESG and climate related risks and opportunities is aligned with the Trustee's beliefs which was confirmed on appointment of the Fiduciary Manager.

The Trustee receives regular training and updates on ESG-related topics such as portfolio ESG reporting, voting and engagement examples on a quarterly basis through Trustee meetings. In addition, on an annual basis, the Trustee reviews the ongoing suitability of the Fiduciary Manager's monitoring and management of ESG and climate-related issues via an ESG annual report and challenges or engages with the Fiduciary Manager as required on its approach.

The Trustee delegates the integration of climate related risks into the investment process to the Fiduciary Manager. The Fiduciary Manager provides regular updates for the Trustee to:

- Understand the exposure of its investments to climate change in the quarterly monitoring report, and
- Ensure that new and existing investments take account of climate change risks and opportunities.

The Trustee expects its Fiduciary Manager to take their policy into account as part of manager selection.

11. Non-financial material investment considerations

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as it is believed that there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

12. Stewardship

The Trustee is aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with the Fiduciary Manager and through them the underlying managers appointed. To that end the Trustee dedicates time regularly to the discussion of this topic. Detailed ESG oversight and monitoring is regularly provided by the Fiduciary Manager with additional support provided, where required.

The Trustee is responsible for developing its own stewardship policy which includes both voting (where applicable) and engagement. The Trustee believes proper stewardship will result in better management of financially material ESG and climate related risks and opportunities. This is expected to improve the long-term financial outcomes of the Scheme which ultimately is in

the best interests of the Scheme's members and beneficiaries. The Trustee expects its Fiduciary Manager to be a signatory to the UK Stewardship Code.

The Trustee has received training on the Fiduciary Manager's approach to stewardship. The Fiduciary Manager has its own voting and engagement policies documented in its Engagement Blueprint which sets out six sustainability themes to prioritise and which guides the voting and engagement behaviours of the Fiduciary Manager. Therefore, to ensure focused voting and engagement with the Underlying Investment Managers, the Trustee, has chosen to align its stewardship priorities with those of the Fiduciary Manager: Climate Change, Natural Capital & Biodiversity and Human Rights. The Trustee expects the Fiduciary Manager to take their policy and stewardship priorities into account as part of its own stewardship activities and manager selection.

The Trustee reviews, monitors and challenges the Fiduciary Manager where necessary in relation to the voting and engagement activities of the Fiduciary Manager and the Underlying Investment Managers.

13. Additional Voluntary Contributions (AVCs)

Under the Scheme's Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. The AVC's are held within the assets of the Scheme.

The Trustee reviews these arrangements regularly considering their performance, the objectives and the views of the advisers.