

Milliken Industrials Pension Plan

Statement of Investment Principles

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Milliken Industrials Pension Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments.
- 1.2. In preparing this statement the Trustees have consulted Milliken Industrials Ltd, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.4. The Trustees completed a bulk annuity insurance transaction with Royal London (the "Insurer") in the contract dated 9 May 2025 to secure the benefits under the Plan.

2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of the Plan against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. Effective from 9 May 2025, the Trustees entered into a bulk annuity insurance contract with the Insurer, which is expected to match all defined benefits due to members of the Plan.
- 2.3. The Insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
- 2.4. The Trustees hold no other investments beyond cash in the Plan's bank account and a holding in a liquidity fund and nominal gilt funds. The day-to-day management of the assets held in the Sterling Liquidity Plus Fund and Schroder Matching Nominal Gilt Funds is delegated to Schroder. The investment manager is authorised and regulated by the Financial Conduct Authority, and is responsible for stock selection.
- 2.5. The Trustees continue to review the appropriateness of the Plan's investment strategy on an ongoing basis but would consider it unlikely that any material future changes will be made prior to the Royal London insurance policy potentially being assigned to individual members and the Plan then being wound up.
- 2.6. The Trustees will consult the Employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
 - to hold assets that provide a high likelihood that members' entitlements under the Trust Deed and Rules will be met in full as they fall due;
 - to invest in assets of appropriate liquidity to meet potential remaining liabilities that are not covered by the bulk annuity policy; and
 - to reduce the risk of the assets failing to meet the liabilities over the long term.

- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property alternatives and annuity policies. The Plan's current investment strategy involves holding the majority of the Plan's assets in a bulk annuity insurance contract, with a cash and gilt holding to meet ongoing requirements, as noted in 5.2.
- 4.2. Given the Plan's investment strategy, it is not expected that the Plan will hold any employer-related investments. However, this is typically checked annually by the Plan's auditors.

5. The balance between different kinds of investments

- 5.1. The Plan invests in assets that are expected to achieve the Plan's objectives.
- 5.2. The Plan holds a bulk annuity policy expected to produce cashflows that exactly match the benefit entitlements of each of the Plan's members. The remainder of the Plan's assets are held in the Trustee Bank Account and Schroder Sterling Liquidity Plus Fund and Schroder Matching Nominal Gilt Funds, which are expected to be appropriate to meet any residual liabilities and costs not met by the bulk annuity policy.

6. Risks

- 6.1. The various types of investment risk which may affect the Plan's liabilities are covered under the bulk annuity purchase with the Insurer. Therefore, the vast majority of the risks set out below are covered by the insurance policy, and are therefore judged to have minimal impact on the Plan's ability to meet the liabilities of the Plan as they fall due. However, the Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities:

Risk versus the liabilities	The Trustees note that by securing the Plan's benefits with an insurer, the risk of benefits not being met is now very low.
Covenant risk	The Plan is less reliant on the strength of the Employer's covenant as the Plan's benefits have largely been secured with an insurer. When converting the buy-in policy into a buy-out policy with the Insurer, the Plan will be reliant on the Employer to make good any shortfall in excess of the small amount of assets held outside of the insurance contract.
Insurer counter party risk	The risk of the insurer defaulting has been managed through the selection of a reputable UK regulated insurer and potentially supported by the insurance compensation regime in place should an insurer fail.
Investment manager risk	The Trustees monitor the performance of the residual assets (i.e. those held in the liquidity fund and the nominal gilt funds outside the bulk annuity policy) as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	The investment manager of the residual assets is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the practices in their annual Implementation Statement where appropriate.

ESG/Climate risk	The Trustees have considered long-term financial risks to the Plan and ESG factors (as well as climate risk). While the Trustees consider these factors to be potentially financially material, management of these risks over the lifetime of the contract is primarily an issue for the Insurer to manage.
Concentration risk	The investment manager and the Insurer are expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets, including cash and gilts, such that there is a sufficient allocation to liquid investments to meet the Plan's remaining cashflow requirements that are not covered by the bulk annuity insurance contract. The Plan's administrators monitor the level of cash available in the Plan's bank account.
Currency risk	The Plan's liabilities and the income produced by the bulk annuity contract are both denominated in sterling.
Loss of investment	In the event of the Insurer becoming insolvent, the Plan could suffer losses on the contract, but would still retain the liability to pay members' benefits. This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The risk of loss of investment by the investment manager is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have chosen to invest the vast majority of assets in a bulk annuity policy to match the Plan's projected benefit payments with income from the policy. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Plan that are not covered by the policy, and ongoing expenses.
- 7.2. The Trustees have not set an expected return on the bulk annuity policy, given that its primary purpose is as an insurance contract rather than a return-seeking investment.

8. Realisation of investments

- 8.1. The annuity policy with the Insurer is not readily realisable and the Trustees do not expect to need to surrender or realise the contract given its nature and purpose. The income from the bulk annuity policy will be used to pay benefits covered by the policy.
- 8.2. The remaining assets of the Plan are held in assets that can be realised at short notice.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities, and policy on arrangements with investment managers

- 9.1. Since the majority of the Plan's assets are held in an insurance policy, these matters are primarily an issue for the Insurer to manage. This is reflected in the Trustees' own policies, as summarised in Appendix 2.

10. Agreement

- 10.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment manager, the actuary and the Plan auditor upon request.

On behalf of the Milliken Industrials Pension Plan, July 2025

Appendix 1 Note on investment policy of the Scheme as at June 2025 in relation to the current Statement of Investment Principles

1. Choosing investments

The Trustees have appointed the following investment manager/insurer to carry out the day-to-day investment of the Plan:

- Schroder Pension Management Limited
- Royal London Mutual Insurance Society Limited

Assets in respect of members' AVCs are invested in a range of investment funds offered by the Prudential Assurance Company Limited ("Prudential").

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters.

2. The balance between different kinds of investment

Most of the Plan's assets are held in a bulk annuity policy. The remaining assets are held in the Plan's bank account and in the Nominal Gilt Funds and Sterling Liquidity Plus Fund, bearing in mind the nature of the potential additional liabilities that may fall due on the Plan that are not covered by the policy. The Trustees no longer actively manage the investments against a strategic asset allocation benchmark.

3. Investments and disinvestments

The Plan's cashflow requirements are expected to be met by the Plan's remaining cash holdings and the annuity policy.

Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities, and policy on arrangements with investment managers

1. Financially Material Considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) have the potential to be financially material over the long-term. However, as the Trustees have completed a purchase of a bulk annuity policy intended to match the majority of the Plan's liabilities, the Trustees are not directly exposed to these risks. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Plan and are not covered by the policy.

The Trustees have an expectation that the Insurer will consider ESG-related issues in selecting securities and other investments, or will otherwise engage with the issuers of their underlying holdings on such matters in a way that is appropriate for the nature of the assets under consideration.

2. Approach to monitoring ESG policy

The Plan's assets are held as a bulk annuity policy, gilts and cash. Given the nature of the current holdings in the Plan, the Trustees will review and monitor the ESG policy as they deem appropriate, considering the risks that present themselves.

3. Policy on the exercise of voting rights and engagement activities

The Trustees note that by securing the Plan's benefits with an insurer, they have limited ability to influence the voting and engagement activities undertaken on behalf of the Insurer. Responsibility for engagement with the issuers of investments underlying the bulk annuity policy, including voting policy (where applicable), is the responsibility of the Insurer.

The Plan retains cash and gilt holdings, but the Trustees note, due to several controls at both the asset manager and counterparties, the impact of impact of engagement on the risk/return of the cash and gilt holdings is limited. The Trustees have selected Climate Change, Biodiversity and Modern Slavery as the Plan's stewardship priorities but note they will only refer to Schroders activity at a firm level when monitoring and reporting their engagements in this area due to the characteristics of the assets.

4. Conflicts of interest

The Plan's investment adviser is independent and no arm of their business provides asset management services. This, and their FCA-regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflicts of interest.

The Trustees expect all investment managers and insurers to have conflicts of interest policies in relation to their engagement and ongoing operations. The Trustees therefore believe it has managed the potential for conflicts of interest in the appointment of the investment managers, insurers, and investment adviser,

and conflicts of interest between the Trustees, investment adviser, the investment managers, the insurers, and any underlying investee companies.

5. Non-financially material considerations

When constructing the investment strategy and selecting investment managers, the Trustees do not prioritise non-financial matters. Given the bulk annuity purchase, the Trustees have limited ability to address non-financial matters.

The Trustee will review its policy on whether or not to take account of non-financial matters periodically.

6. Policy on arrangements with investment managers

Incentivising alignment with the Trustees' investment policies

Arrangements for incentivising the investment managers of the assets underlying the bulk annuity policy are an issue for the Insurer.

The Trustees expect Schroders to be engaging on behalf of the Plan's holdings where relevant. From 1 October 2020, the Trustees monitor this activity within the Implementation Statement in the Plan's Annual Report and Accounts. Schroders are expected to manage ESG risks within their management of the cash and gilt holdings but recognise these factors are likely to be less material for these types of assets.

Method and time horizon for assessing performance

The Trustees do not undertake regular formal monitoring of the investment managers due to the limited benefit of this activity given the bulk annuity policy held with the insurer for most liabilities. However, the Trustees would undertake such monitoring if it was deemed necessary.

The Plan invests exclusively in pooled cash and gilt funds and a bulk annuity policy. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the fund grows, due to market factors, they receive more and as the value falls, they receive less.

The Trustees ask the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered as frequently as the Trustees consider appropriate in light of the prevailing circumstances.

Portfolio turnover costs and duration of arrangement

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. However, given the bulk annuity policy and liquidity holdings of the Plan, the Trustees note that the impact of portfolio turnover costs and the duration of arrangement with the investment manager are expected to have negligible impact.

For the open-ended pooled funds in which the Plan invests, there are no predetermined duration of agreement with the investment manager.

The suitability of the Plan's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Appendix 3 Benchmarks and objectives

The benchmarks and objectives for each of the fund managers are summarised below:

Fund manager	Benchmark	Objective
Schroder		
Schroder Sterling Liquidity Plus Fund	Sterling Overnight Index Average (SONIA)	To provide capital growth equivalent to Sterling Overnight Index Average before fees have been deducted by investing in money market instruments worldwide.
Schroder Matching Nominal Gilt Fund (2018-2037)	n/a	To provide exposure to the return on gilts within set maturity bands by investing in a portfolio of sterling denominated fixed interest gilts, cash and cash funds.
Schroder Matching Nominal Gilt Fund (2038-2057)	n/a	