Standex UK Retirement Plan

Statement of Investment Principles – November 2020

1. Introduction

This Statement of Investment Principles (the “Statement”) has been prepared by the Trustee of the Standex UK Retirement Plan (the “Plan”). The Statement sets out the principles governing the Trustee’s decisions about the investment of the Plan’s assets. The Trustee refers to this Statement when making investment decisions, to ensure that they are consistent with the principles set out herein.

The Statement is designed to meet the requirements of Section 36 of the Pensions Act 1995 as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments.

As required under the Act, the Trustee has consulted a suitably qualified person and has obtained written professional advice from Mercer Limited (“Mercer”). The Trustee, in preparing this Statement, has also consulted Standex International Corporation (“the Principal Employer”) as Sponsor of the Plan. The Principal Employer has no objections to the contents, and any proposed changes to this Statement will be discussed with them. However, the Trustee’s fiduciary obligations to the Plan will take precedence over the Principal Employer’s wishes should these ever conflict.

The format of this Statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustee believes, however, that it incorporates a response to all the requirements of the Act.

The Trustee does not expect to revise this Statement frequently because the Statement covers broad principles. The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the risk tolerance of the Trustee and the Principal Employer that it judges to have a bearing on the Statement. This review will occur no less frequently than triennially. Any such review will again be based on written expert advice and will be in consultation with the Principal Employer.

2. Investment Policy and Scheme Governance

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee, acting on advice from its investment consultant, Mercer, and is driven by its investment objectives as set out below. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to professional investment managers whose roles and responsibilities are set out in Section 3.

Mercer has been appointed by the Trustee to provide advice on the Plan’s investment strategy and strategic asset allocation. The Trustee has also delegated the selection, appointment, removal and monitoring of the underlying Defined Benefit investment managers to Mercer. Mercer will attend Trustee meetings as appropriate.

The Trustee also takes advice as appropriate from the Scheme Actuary and other professional advisers.

3. Defined Benefit Section ("DB Section")

3.1 Strategic Management

3.1.1 Process for Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager tasked with implementing the Trustee's investment strategy. In this capacity, and subject to agreed restrictions, the Plan's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to highly rated third party investment managers and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan's assets on a day to day basis.

In considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3.1.2 Investment Objectives

Over the long-term, the Trustee's primary investment objective is to invest the Plan's DB Section assets in such a way that members' benefit entitlements can be paid as and when they fall due. The DB Section of the Plan has now closed to future accrual, and is therefore steadily maturing. As such, the Trustee's objectives (given below) have been adapted to reflect the finite life of the Plan and the need to consider its "end game".

The Trustee's objectives are therefore:

- To monitor the solvency of the Plan, with the aim of the Plan being close to fully funded on a solvency basis before all members have reached retirement;

- To aim to have 100% of assets invested in assets that provide a low level of investment risk relative to the Plan's liabilities, before all members have reached retirement.

- To target a 50% chance of being 100% funded on the self-sufficiency (gilts + 0.5% p.a.) basis by 2023.

Given the desire to consider the Plan's "end-game", the Trustee has noted that in setting the investment strategy, the solvency funding basis is a prudent measure of the financial strength of the Plan and best reflects its mature status.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in Section 3.5.

3.1.3 **Risk Management and Measurement**

The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities and the Sponsor's ability to support this mismatch risk.

The Trustee recognises that there are also a number of risks involved in the investment of the Plan's assets:

a. *Funding level and mismatching risk* – As described by the Trustee's investment objectives, the Trustee invests in asset classes which are expected to demonstrate volatility when compared to the development of the Plan's liabilities. The Trustee has considered a number of investment strategies with varying degrees of risk relative to the Plan's liabilities. In determining an appropriate level of risk (or expected volatility) the Trustee has considered:

   a) The strength of the Principal Employer's covenant and attitude to risk.

   b) Likely fluctuations in funding level.

   c) The required investment returns to restore the funding level over a set period in conjunction with the funding policy.

   d) The Trustee's tolerance to deterioration in the funding level as a result of taking risk.

   e) The term and nature of the Plan liabilities.

   To monitor the success or otherwise of the investment decisions, the Trustee routinely monitors the development of the estimated funding level.

b. *Manager risk* – The Trustee monitors the managers' performance on a quarterly basis, and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. To a larger extent, the Trustee has delegated the selection, monitoring and replacing of the investment managers to Mercer.

c. *Liquidity risk* – The Trustee has adopted a strategy that makes due allowance of the need for liquidity of the Plan's assets.

d. *Concentration risk* – The Trustee has adopted a strategy that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:

   - by asset class

   - by region

   - by investment manager

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, may have a financially material impact on returns. Section 3.5 sets out how these risks are managed.

The Trustee continues to monitor these risks.

To help the Trustee ensure the continuing suitability of the current investments the Trustee has delegated the responsibility for the hiring, firing and ongoing monitoring of the investment managers for the various Mercer Funds used by the Trustee. Mercer provides the Trustee with quarterly reports regarding the appointed underlying investment managers to ensure the risks taken and returns achieved are consistent with those expected.

A Mercer Fund is defined as any collective investment for which Mercer Global Investments Europe Limited or any affiliate thereof, serves as investment manager, including without limitation, MGI Funds plc, Mercer PIF Fund plc, Mercer QIF Fund plc and Mercer QIF CCF. Each of the Mercer Funds have appointed State Street Custodial Services (Ireland) Limited ("State Street") to act as custodian of all of the relevant Mercer Fund's assets. The primary responsibility of the custodian is to ensure the safekeeping of the cash and assets of the relevant Mercer Fund. Mercer is responsible for keeping the suitability of State Street under ongoing review. The Trustee subscribes for units/shares in the relevant Mercer Funds.

Should there be a material change in the Plan's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered.

3.1.4 **Investment Strategy**

The Trustee has considered in general terms, based on the advice of Mercer, the possible impact of a number of different strategies in relation to the funding risks identified above and concluded that the following strategic asset allocation benchmark is appropriate for meeting the objectives, as set out in 3.1.1.

Sub-Fund Name	**Initial Asset Allocation (% of total assets)**
Mercer Tailored Credit Fund 1	**42.0**
Mercer Multi Asset Credit Fund	**18.0**
Insight Secured Finance	**10.0**
Schroder Secured Finance	
MGI UK Long Gilt Fund	**4.5**
Mercer Flexible LDI £ Fixed Enhanced Matching Fund 2	**5.8**
Mercer Flexible LDI £ Fixed Enhanced Matching Fund 3	**6.4**
MGI UK Inflation Linked Bond Fund	**5.8**
Mercer Flexible LDI £ Real Enhanced Matching Fund 3	**7.0**
MGI UK Cash Fund	**0.5**

The Trustee considers this strategic asset allocation provides a suitably diversified overall portfolio and is appropriate for meeting their objectives and controlling the risks identified in 3.1.2 and 3.1.3.

3.2 Investment Restrictions

The assets held with Mercer are invested in pooled vehicles. Investment restrictions will be as stated in the respective pooled vehicles' governing documents.

3.3 Realisation of Investments

The Trustee on behalf of the Plan hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

3.4 Environmental, Social, and Corporate Governance, Stewardship, and Climate Change (for the DB Section only)

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material 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.

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Plan's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship are integrated within Mercer's, and MGIE's, investment processes and those of the underlying managers in the monitoring process. Mercer and MGIE are expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

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

3.5 Trustee’s policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs (for the DB section only)

When engaging Mercer as discretionary investment manager to implement the Trustee’s investment strategy outlined in section 3.1.4, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, its long-term liabilities.

As Mercer manages the Plan’s assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds. However, the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee’s overall investment strategy and objectives. The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and experience to do so and keeps Mercer’s performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee’s policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer’s appointment.

To evaluate performance, the Trustee receives and considers investment performance reports produced on a quarterly basis, which present performance information and commentary in respect of the Plan’s funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio’s and underlying investment manager’s benchmark (over the relevant period) on a net of fees basis. The Trustee’s focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer’s and MGIE’s assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager’s responsible investment philosophy aligns with the Trustee’s own responsible investment policy. This includes the asset managers’ policies on voting and engagement.

Section 3.4 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund’s investment objectives or the objectives/policies of the Plan.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE’s expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and is not looking to change the Plan's investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors and evaluates the fees it pays for asset management services on an ongoing basis, taking into account the progress made in achieving its investment strategy objectives. The fees of both Mercer and MGIE are based on a percentage of the value of the Plan's assets under management, which covers the design and annual review of the investment strategy and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a regular investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Plan's annualized, MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

4. Defined Contribution Section ("DC Section")

4.1 Strategic Management

4.1.1 Investment Objectives

The Trustee recognises that individual members have differing investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's principal investment objective is to make available a suitable range of pooled investment vehicles to enable members to make adequate provision for their retirement. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. In particular, the objectives are:

a. Offering members a 'Lifestyle' approach for the default investment strategy and ensuring that the other investment strategy options allow members to plan for their specific retirement objectives.

b. Making available a range of pooled investment funds on a self-select basis which serve to meet the varying investment needs and risk tolerances of DC Section members. This includes offering both passively and actively managed investment funds.

c. To provide funds offering potential for high long-term real rates of return (i.e. in excess of price and wage inflation) for those members prepared to accept investment risk.

d. To provide funds offering protection for members' accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.

e. To consider the cost and complexity of the Plan in terms of administration and communication.

f. To offer members sufficient choice to tailor their investments to their own personal and financial circumstances.

g. To establish a default investment strategy to ensure that all members of the Plan make contributions towards their retirement fund, regardless of whether or not they make a choice of which fund to invest in.

h. Providing general guidance as to the purpose of each investment option.

i. Encouraging members to seek independent financial advice from an appropriate party in determining the most suitable option for their individual circumstances.

4.1.2 Risk

The Trustee regards "risk" as the likelihood of failing to achieve the objectives set out above and seeks to minimise these risks, so far as is possible. The Trustee has considered risk from a number of perspectives.

In arriving at the range of fund options and the production of the statement, the Trustee has considered the following risks. These are set out overleaf:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return achieved on a member's account over the member's working life will not keep pace with price and wage inflation.	The Trustee makes available a range of adequately diversified investment options along with various funds and asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. The fund range should include passively managed options to reduce active management risk. Within active funds, management of many of these market risks is delegated to the investment manager.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other price risk	The risk that volatile markets, particularly in the period immediately prior to retirement, lead to a substantial reduction in the anticipated level of pension or lump sum benefit received.	
Liquidity risk		The risk that the Plan's assets cannot be realised at short notice in line with member demand.	The Plan is invested in daily dealt and daily priced pooled funds.
Investment Manager risk		The risk that the chosen investment managers underperform the benchmark return, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustee regularly reviews the appropriateness of the level of the security of assets and ongoing monitoring of the performance of the investment managers.

Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee has made a "Lifestyle" strategy available to members, which aims to reduce the mismatch between the members' investments and the cost of purchasing an annuity and retirement lump sum, by progressively switching from equities to bonds and cash as the member approaches retirement. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. The Trustee recognises that there is a risk that members may take their retirement benefits in other forms, and that the "Lifestyle" strategy (which is also the default strategy) may not be appropriate for some members. Members can select a lifestyle strategy in accordance with their personal preferences and retirement objectives.
Environmental, Social and Corporate Governance ("ESG") risk	The risk that ESG concerns, including climate change, have a financially material impact on the return of the Plan's assets.	The management of ESG related risks is delegated to investment managers. See Section 9 of this Statement for the Trustee's approach to responsible investment and corporate governance.

Valuation Risk	The risk that a member's retirement income falls short of the amount expected or required whether this is due to lower investment returns than expected, or insufficient contributions being paid or assets valuing less at retirement.	The Trustee monitors the performance of the investment options on a quarterly basis and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. Members should be provided with relevant information to assist them to make informed decisions regarding their investment choices and contribution rates.

The above items listed in Sections 4.1.1 and 4.1.2 of this Statement are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

4.1.3 **Investment Policies**

The following strategy has been adopted to meet the objectives set out in section 4.1.1 and to manage the risks set out in 4.1.2. The Trustee, having taken expert advice, offers a range of investment options to members. Members can combine these funds in any proportion to determine their own investment strategy. The balance between funds will affect the expected return on member's assets and should be related to the member's own risk appetite and tolerances.

In the absence of a decision, the Trustee offers a default strategy, which is a lifestyle strategy.

The DC Section's invested assets are invested in funds that are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are in regulated markets, and therefore should be realisable at short notice, based on member demand.

Day-to-day management of the assets is delegated to professional investment managers, Scottish Equitable Plc (branded as Aegon).

In considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of their Investment Adviser, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995. The Trustee periodically reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as appropriate.

The investment choices for the DC Section comprise of developed market equities, emerging market equities, gilts, index-linked gilts, diversified growth funds and a range of lifestyle funds targeting different outcomes at retirement in terms of how members will access their savings. Both active and passive management options are offered to members, depending on asset class.

Members can currently invest in the following funds:

- **Mixed Funds: Growth Tracker (Flexible Target) Fund, Growth Tracker (Annuity Target) Fund and Growth Tracker (Cash Target).**

- **Growth Funds:** 50:50 Global Equity Index Fund (50% UK, 50% World ex UK), Emerging Market Equity Fund and Diversified Growth Fund.

- **Defensive Funds:** Fixed Interest Gilts Funds, Index-Linked Gilt Funds and Fixed Interest and Cash Retirement Funds.

- **Cash Fund**

The Trustee believes that the “Growth” funds and the growth phase of the “Mixed” funds are appropriate for providing good prospects of real long term investment returns. As members approach retirement, the defensive phase of the Target Funds along with the availability of standalone Defensive and Cash Funds reduces the risks that can adversely impact members’ savings.

The global and emerging market equity funds are primarily aimed at long-term investors where the emphasis is on maximising returns, as equities are expected to offer the highest returns over the long-term. The former fund also offers exposure to a range of overseas developed markets, thereby resulting in greater diversification of risk. The latter fund invests solely in global Emerging Markets. The Diversified Growth Fund invests in a diverse range of return seeking assets and strategies with the aim of providing returns similar to those of equities over the medium to long term but at a lower level of volatility relative to equities.

In addition, there is the option for members to select the “Target” option whereby assets are invested in growth assets until members approach retirement, at which point allocations to more defensive oriented assets are gradually added to help protect the members’ benefits as they approach retirement. The Trustee notes that this strategy will by no means be right for everyone in the Plan on an individual basis. However, they believe it provides two main attractions:

- It should maximise the long term expected real return during the period that the investor is in a position to tolerate investment risk; and

- Provide some certainty of benefit levels in the period leading up to the crystallisation of these benefits.

Given these attractions, the Trustee has also adopted this Flexible Target strategy as the default option for the Plan.

Non-financial matters, including member views are not explicitly taken into account in the selection, retention and realisation of investments.

4.1.4 **DC Section - Default Strategy**

The “Lifestyle” option is the default strategy for the Plan. Typically, a proportion of members will actively choose the default strategy because they feel it is most appropriate for them. However, the vast majority of members do not make an active investment decision and are invested in the default strategy.

The default strategy aims to generate investment returns, in a risk-controlled manner, which are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions paid over their lifetime in the Plan.

4.1.5 **The objectives and policies in relation to the default strategy**

The default lifestyle options manage investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. The default investment options invest in developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds. Both active and passive management funds are used.

The objectives of the default strategy are as follows:

- To generate returns in excess of inflation during the growth phase of the strategy.

  - The default strategy’s growth phase invests in the Growth Tracker Flexible Target Fund. This fund is expected to provide an above inflation return over the long term.

  - As members approach retirement, the primary aim should be to provide protection against a mismatch between asset values and members’ likely use of their retirement funds..

  - In view of the above, the Trustee considers the level of risk within the default strategy in the context of members’ evolving use of their retirement funds, which is expected to be increasingly flexible.

  - These risks are managed via automated lifestyle switches over a six year period to a member’s selected retirement date. Investments are switched from a growth orientated investment approach to a more defensive investment approach the closer the member gets to retirement. At selected retirement age approximately 30% of investments are retained in growth assets (shares), along with an allocation to cash to accommodate for the possible current maximum 25% tax free cash lump sum withdrawal.

- To produce a strategy that reduces investment risk for members as they approach retirement.

  - To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan flexibly through various income withdrawals.

  - At the member’s selected retirement date, to reduce the mismatch risk between asset values and the expected flexible use of their retirement funds.

- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default strategy, the Trustee has explicitly considered the trade-off between risk and expected returns. The default strategy balances between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

Assets in the default strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.

Assets in the default strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

All funds are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are all mainly in regulated markets, and therefore should be realisable at short notice, based on member demand. Where pooled investment arrangements do not invest assets in regulated markets these are not expected to account for a material proportion of assets.

The asset allocations in the years preceding retirement are shown in the graph below.

Years to Retirement	**Growth Tracker (Flexible Target)**	**Flexible Target**	**Aegon Cash Fund**
6	100	0	0
5	80	20	0
4	60	40	0
3	40	60	0
2	25	75	0
1	15	75	10
0	0	75	25

The Trustee believes that the current default strategy is appropriate for members wishing to access their retirement funds flexibly. However, as members respond to the pensions freedoms available to DC scheme members, the Trustee recognises the need to monitor the investment strategy.

Member views are not taken into account in the selection, retention and realisation of investments within the default options, nor has the Trustee set any investment restrictions on appointed investment managers in relation to particular products or activities. However, this position is kept under review and may be re-considered in future.

4.2 Day to Day Management of the Assets

4.2.1 Investment Manager Arrangements

The Plan's DC Section is invested across a range of funds provided through Aegon. Further details of the funds which members have invested in are shown in the following table:

Fund Type	Asset Class(es)	Manager	Approach	Fund Name
Mixed	UK and Overseas Equity, Bonds and Cash	Aegon	Mixed	Aegon Growth Tracker (Flexible Target)
Mixed	UK and Overseas Equity, Bonds and Cash	Aegon	Mixed	Aegon Growth Tracker (Annuity Target)
Mixed	UK and Overseas Equity, Bonds and Cash	Aegon	Mixed	Aegon Growth Tracker (Cash Target)
Growth	UK and Overseas equity	BlackRock (formally BGI)	Passive	50:50 Global Equity Index Fund
Growth	Emerging Market Equity	Schroder	Active	Global Emerging Markets Fund
Growth	Diversified Growth Fund	Baillie Gifford	Active	Diversified Growth Fund
Defensive	Fixed Interest Gilts	BlackRock (formally BGI)	Passive	Over 15 Year Fixed Interest Gilt Fund
Defensive	Index-Linked Gilts	BlackRock (formally BGI)	Passive	Over 5 Year Index Linked Gilt Fund
Defensive	Fixed Interest Gilts and Cash	BlackRock	Passive	Retirement Fund
Cash	Cash	Aegon	Active	Cash Fund

4.3 Member's Interests

Taking into account the demographics of the DC Section's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default options are appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner

4.4 Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs (DC Section only)

Aligning manager appointments with investment strategy

The investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustee utilises the investment consultant's manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on the investment consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure that it remains appropriate and consistent with the Trustee's wider investment objectives. If not, changes will be considered.

Some mandates are actively managed and where appropriate, the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds as part of the wider monitoring of the Plan's managers.

As the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, nor to influence investment managers to align their decisions with the Trustee's policies set out in this statement. However, appropriate mandates can be selected to align with the Trustee's overall investment strategy.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then they will look to replace the manager.

Evaluating investment manager performance

The investment consultant will assist the Trustee in fulfilling their responsibility for monitoring the investment managers. The investment consultant provides the Trustee with a consolidated investment report on a half-yearly basis, and an asset and performance summary on an ad hoc basis.

The Trustee reviews absolute and relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over various time periods), on a net of fees basis. The Trustee's focus is primarily on long term performance, but short term performance is also monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark, including assessments of both shorter and longer time horizons. The Trustee also relies upon investment consultant's manager research capabilities.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees instead of terminating the appointment.

For the DC section, the remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for members' assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee may request further action be taken, including a review of fees.

Responsible Investing engagement with investment managers

The Trustee will also consider the Investment Consultant's assessment of how each 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 managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

Portfolio turnover costs

For the DC section, the Trustees consider portfolio turnover costs as part of their annual value for members assessment. The ability to assess the appropriateness of these costs is currently limited by the availability of data and the lack of industry-wide benchmarks. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Performance is reviewed net of portfolio turnover costs.

Manager turnover

The Plan is a long term investor and the Trustee is not looking to change the investment arrangements on a frequent basis. There is no fixed term in place for manager appointments.

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 is no longer comfortable that the manager can deliver the mandate;

For the DC section, all the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis, to ensure they continue to be appropriate for members. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

5. Investment Restrictions

The Plan's investments are in "pooled funds", which means that the investment manager has discretion over the assets held and the investment restrictions that apply to the funds as a whole. It is therefore possible that the pooled funds include investments in the Principal Employer or associated companies. However, the Plan will not hold any employer related investment directly.

The Trustee is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities provides adequate diversification of investments.

In respect of the DC section, assets are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels). Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

6. Other Assets

In addition, some assets in respect of members' additional voluntary contributions are held with Aviva. The Trustee may maintain small working cash balances in a separate Trustee bank account to make anticipated payments.

7. Custodial Arrangements

The role of the custodian is to ensure the safe-keeping of assets and facilitate all transactions entered into by the appointed investment managers.

The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. However, the Trustee is satisfied that appropriate procedures are in place for selecting and monitoring the custodians of the underlying assets.

PFT Limited has been appointed by the Trustee as custodian of the cash held in connection with the administration of the Plan.

8. Realisation of Investments

In general the investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments, subject to not exceeding the Trustee's powers as set out in the Trust Deed and Rules. It is the responsibility of Investment managers to generate cash to meet any benefit outgoings, as advised by the Trustee.

9. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change (Total Plan)

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material 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 has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Non-financial matters, including member views are not explicitly taken into account in the selection, retention and realisation of investments.

10. Fee Structures

For the Defined Benefit Section, Mercer levies a fee based on a percentage of the value of the assets under management which covers the investment management of the assets, and core investment consulting services. In addition there is a variable fee element levied by the underlying investment managers based on a percentage of the value of the assets under management.

For the DC Section, the current Total Expense Ratios (TER) are as follows:

Fund	TER (% p.a.)
Growth Tracker Flexible Target	0.50%
Growth Tracker Annuity Target	0.50%
Growth Tracker Cash Target	0.50%
BlackRock Passive Global Equity (50:50)	0.50%
Schroder Emerging Market Equity	1.50%
Baillie Gifford Diversified Growth	1.25%
BlackRock Over 15 Year Fixed Interest Gilts	0.50%

Fund	TER (% p.a.)
Growth Tracker Flexible Target	0.50%
Growth Tracker Annuity Target	0.50%
Growth Tracker Cash Target	0.50%
BlackRock Over 5 Year Index Linked Gilts	0.50%
BlackRock Retirement Fund	0.50%
Aegon Cash	0.50%

Source: Aegon

11. Review and Compliance with this Statement

The Trustee will monitor compliance with this Statement annually and in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and (in context of DB Plan) the Principal Employer which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Principal Employer.

/s/ SEAN VALASHINAS — 11/11/2020

For and on Behalf of the Trustee of the Standex UK Retirement Plan — **Date**