Standex UK Retirement Plan (‘the Plan’)

Annual Statement Regarding Governance

Under legislation set out in Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (together the ‘Administration Regulations’), the Standex Pension Trustees Limited (the ‘Trustee’) is required to prepare this Statement on governance for inclusion in the Trustee’s annual report. This Statement of governance relates to the Plan’s defined contribution (DC) (money purchase) benefits. This Statement covers the period 1 June 2020 to 31 May 2021.

At the Plan year end the Plan held two categorise of DC, namely:

- The Plan’s DC Section with AEGON Scottish Equitable Plc (Aegon), where all benefits are DC.
- The legacy Additional Voluntary Contributions (AVC’s) policy with Aviva in the Plan’s Defined Benefit (DB) Section.

Reference to “the Plan” and “the Plan’s” throughout this statement relate to the DC Section.

This statement covers four key areas:
- The investment strategy relating to the Plan’s default option;
- The processing of the Plan’s financial transactions;
- Charges and transaction costs within the Plan, including value for money; and
- The Trustee’s compliance with the statutory knowledge and understanding requirements.

This Statement is published on a publicly available website and members will be signposted to where it is published.

The default investment option

The current default investment option for the Plan is a Lifestyle strategy which is an investment strategy designed to provide exposure to growth assets in the period up to six years before retirement (the growth phase) and then a phased transition of assets to less volatile investments, designed to reduce exposure to losses that might be difficult to recover before retirement, while still retaining an element of growth in the period up to retirement (the protection phase). The default investment strategy is the Aegon Growth Tracker (Flexible Target) Lifestyle strategy.

The lifestyle strategy aims to grow savings over the long term by investing mainly in global equities and (c. 25%) in UK bonds during the initial growth phase of the investments. It is designed to track the markets it invests in, providing similar returns to those markets.

From six years before the members’ target retirement year, the lifestyle strategy progressively moves the assets into less risky investments. From two years away from retirement the strategy will begin moving part of the savings into cash, with the result that c.25% of the savings will be in cash by the time the member reaches their default target retirement date, which caters for members who wish to utilise their tax-free cash entitlement.

In accordance with the Administration Regulations, the Trustee has included the Statement of Investment Principles (the ‘SIP’) dated 30 September 2020 and which is prepared for the Plan under Section 35 of the Pensions Act 1995 (the ‘1995 Act’) and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the ‘Investment Regulations’).

Default Investment reviews

The Trustee undertakes a holistic and strategic review of the Plan’s default investment arrangements and principles triennially; ad hoc reviews of strategy and/or investment policy are also undertaken in the event of significant legislative, market or member demographic changes.

The default investment option was considered as part of an investment strategy review in 2017. Considering the Plan’s membership and investments along with other options available under the current provider, the Trustee decided to change the default investment option. Members were due to receive a communication detailing these changes in early 2019. However, there were further changes announced affecting the services and governance of the investment provider, Aegon, that prompted the Trustee to re-evaluate and consider whether a more comprehensive review of the Plan’s DC section was warranted. After additional consideration at the May 2019 Trustee meeting, including verifying the continued validity of the investment strategy advice given as part of the investment strategy review in 2017, the Trustee decided to continue with the previously agreed change in default. The implementation was revisited and revised and was completed on 27 August 2019. This exercise constituted the review of the default arrangement required by Regulation 2A(2) of the Occupational Pension Schemes (Investment) Regulations 2005.

The Company is currently completing the last stages of setting up a new DC pension scheme with the Fidelity Master Trust, which they will use to comply with their auto enrolment duties from 1 December 2021. Therefore it is the Company’s intention that the Plan will be closing to future DC contributions.

Given the service and governance changes at Aegon, as referred to above, the Trustee is again re-evaluating the ongoing suitability of Aegon and a review of the new arrangement is currently underway. The Trustee is currently seeking advice from their investment advisers, Mercer Limited (Mercer’), on whether the Fidelity proposition can add value to Plan members.

The Trustee and their professional advisers, Mercer Limited, review how the funds within the Plan’s default investment arrangement and wider fund range have performed at each Trustee meeting.

Additional Lifestyle Strategies

To cater for the wide range of options available to members when taking benefits at retirement, the Trustee offers two additional lifestyle strategies as follows:

- Aegon Growth Tracker (Annuity Target) Lifestyle
- Aegon Growth Tracker (Cash Target) Lifestyle

All the Plan's lifestyles have a Growth Phase for members. Once a member reaches 6 years from retirement they enter the protection phase which is tailored depending on the strategy.

Aviva Additional Voluntary Contributions (AVCs) – PG37911

The AVCs for this plan relate to the DB Section members and these are invested in a policy held with Aviva. The Aviva AVCs option was closed from September 2005, DB members who wish to pay AVCs can now only do so via the DC Section of the Plan.

Aviva Charges and Policy Fee

Policy Fee	N/A
Bid/Offer Spread	5%
Annual Management Charge (AMC)	0.875% p.a. for unit linked funds. There is no AMC for with profits funds; however, a similar charge is allowed for when bonus rates are declared
Charges covered by Maximum 1% Stakeholder Charge	No
Charges to switch funds	N/A

Source: Aviva, 17 November 2020

The Trustee does not operate default investment arrangements within the meaning of Pensions Act 2008 in relation to AVC policies. For this reason, the Trustee believes that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to the plan's AVCs. For the same reason, the Trustee's SIP does not contain wording relating to default investment arrangements for the plan's AVCs.

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustee must secure that core financial transactions are processed promptly and accurately.

This includes:
- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payments from the Plan to, or in respect of, members.

The Trustee has delegated the administration of Plan member records and investment platform services to Aegon, for the period under review.

1) Timescales

The Schedule of Contributions sets out timescales for the Sponsoring Employers to remit monthly contributions to the Plan in accordance with legislative requirements. The deduction and payment of contributions is reviewed by the Sponsoring Employers. Once received, contributions are invested in accordance with the timescales set out in the administration agreement with the Plan Administrator, Aegon.

Aegon has agreed minimum timescales for all services, including core financial transactions. The Service Level Agreement (“SLAs”) in place covers both the accuracy and timeliness of the financial transactions and set out the approach (including timescales) regarding the transfer of members’ assets into and out of the Plan, the transfer of members’ assets between different investment options available in the Plan and payments from the Plan to, or in respect of, members. All transactions are made in a timely manner as set out below:

Financial Transaction	SLA	Cases	Completed within SLA
Investment of contributions	Overnight once funds clear Web – 5 days	4	4
Transfer in	5 days	0	0
Transfer Out Settlement	3 days	3	3
Retirement Settlement	3 days	10	9
Death Benefit Settlement	5 days	0	0
Investment Switch	3 days	4	4

Aegon provide bi-annual administration and investment reports which are reviewed by the Trustee at their meetings. Service levels are reported annually, for the Plan year SLAs were met in 84.3% across all cases and 95% in relation to financial transactions. SLA statistics are not something Aegon include in their bi-annual interim reporting, the Trustee is raising this concern with Aegon. This is an example of one of the many reasons the Trustee is considering whether moving away from Aegon could be in member’s best interests. In the last Plan year, there have been no material administration service issues which need to be reported here.

The Trustee operates a system of internal controls aimed at monitoring the Plan’s administration and management, and monitoring the extent to which the Plan’s core financial transactions are processed promptly and accurately. The Trustee monitor member cases in conjunction with its advisers to ensure financial transactions are processed promptly and accurately, the controls to monitor this include regular meetings between the Trustee and its advisers to discuss individual member cases. The Trustee is in the process of transitioning to Fidelity Master Trust to ensure good outcomes for members.

2) Accuracy

Aegon have processes in place to ensure the accuracy of all financial transactions. The Trustee have requested further details of these processes, yet Aegon have not been forthcoming in providing this information. This is another example of why the Trustee is considering whether moving away from Aegon could be in member’s best interests.

The application of the regular monthly premium is automated, any rejected payments from this process are flagged and manually applied by Aegon’s smartpay team.

There were no lump sum payments or transfers in for the scheme during the period.

The Trustee appoints an independent auditor, Blue Spire Limited, to carry out an annual audit of the Plan, including the material financial transactions that have taken place during the year. The auditors carry out spot checks to ensure that payments made by the Plan are paid in accordance with the Plan's rules.

The Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the period to which the Statement relates and as noted above they are directly involved with member cases where required to ensure that this continues.

Charges and transactions costs

As required by the Administration Regulations, the Trustee reports on the charges and transaction costs for the investments used in the default investment option and its assessment of the extent to which the charges and costs represent good value for members.

Charges relate to investment management costs which are deducted from members' funds. There are two different types of investment charges, the annual management charge ("AMC") and the total expense ratio ("TER"). The AMC is the fee applied by the investment manager for managing the individual funds. The TER will be the same or higher and includes the AMC plus any additional expenses associated with the running and management of the funds such as custody costs (which will vary slightly from time to time).

In addition to ongoing charges, members may also incur transaction costs. These are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds, they are not explicitly deducted from the fund but are captured by a reduction in investment returns. Other costs related to running the Plan and AVC policy including advisory and member communication costs are paid by the Sponsoring Employer. Members pay administration costs.

Default investment strategy

The Plan's default investment strategy is the Aegon Growth Tracker (Flexible Target) Lifestyle, and the cost, known as the Total Expense Ratio ('TER'), is 0.51% p.a. at all stages of this lifestyle arrangement.

Plan investment options and costs

Default lifestyle strategy	**TER**	**Additional transaction costs**
Aegon Growth Tracker (Flexible Target) Lifestyle	0.51%	0.04% to 0.14%
Additional lifestyle strategies		
Aegon Growth Tracker (Annuity Target) Lifestyle	0.50%*	n/a
Aegon Growth Tracker (Cash Target) Lifestyle	0.50%*	n/a
Legacy lifestyle strategy		
BlackRock Aquila 50/50 Global Equity Index (Lifestyle)	0.51%	-0.03% to 0.03%

Self-Select Fund Range		
BlackRock Aquila 50/50 Global Equity Index	0.51%	0.03%
Schroders Global Emerging Markets	1.47%	0.19%
Baillie Gifford Diversified Growth	1.04%	0.56%
BlackRock Over 15 Years Gilts	0.51%	-0.04%
Aegon UK Government Bond **	0.51%	0.01%
BlackRock Over 5 Years Index Linked Gilts	0.51%	0.04%
Aegon Index Linked **	0.51%	0.03%
BlackRock Retirement	0.51%	-0.03%
Scottish Equitable Retirement **	0.51%	0.01%
Aegon Cash	0.51%	0.00%

Charges as at 31 May 2021 and provided by Aegon

* Annual Management Charge (AMC) shown here as there is currently no investment in this fund.

** These funds are closed for contribution

All fees shown above are as at 31 May 2020, and have been sourced from Aegon. The TER includes the fees charged by the underlying manager and the platform charges from Aegon. Note that expenses are a function of the size of the fund and will change over time. The charges on the default funds comply with the charge cap legislation requirements.

Transaction costs

In addition to investment management charges and the additional fund expenses included in the TER, investment funds are subject to other implicit costs, such as the investment manager's transaction expenses. These are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds, they are not explicitly deducted from the fund but are captured by a reduction in investment returns.

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with the updated Administration Regulations. The transaction costs shown here are calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive.

Members do not incur explicit transaction costs when switching their investments between the investment funds that are available. Aegon has provided transaction costs information of all funds in the fund range over the Plan year to 31 May 2021.

Illustrative impact of costs and charges

Using the charges and transaction cost data provided by each of the providers and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, AEGON have prepared an illustration for the Trustee detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance provided has been considered when providing this example. Please see Appendix A for further information.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time

Illustration 1: Young Active Member with a DC Pension Only

Illustrations showing the impact of fund transactional costs and scheme charges on a projected pension fund in today's money (£)

The 'Before charges' column shows the projected pension fund without any transaction costs, charges or rebates being applied.

The 'After all charges' column shows the projected pension fund after transaction costs, charges and rebates that have been applied.

	Mixed		Equity		FixedInterest		Cash		GrowthTkrFlexTgt		Schroder Global Emerging Markets	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	16,680	16,554	16,867	16,736	16,158	16,069	16,158	16,082	16,568	16,476	16,815	16,557
3	22,303	21,853	22,980	22,501	20,484	20,188	20,484	20,230	21,904	21,579	22,825	21,905
5	28,091	27,220	29,425	28,480	24,643	24,101	24,643	24,178	27,317	26,695	29,169	27,378
10	43,319	40,939	47,113	44,406	34,352	33,050	34,352	33,233	41,202	39,542	46,618	41,632
15	59,695	55,101	67,304	61,838	43,149	40,923	43,149	41,234	55,602	52,472	66,597	56,740
20	77,304	69,722	90,354	80,920	51,121	47,851	51,121	48,303	70,537	65,486	89,473	72,753
25	96,241	84,814	116,666	101,806	58,345	53,946	58,345	54,549	86,026	78,583	115,666	89,726
30	116,603	100,394	146,702	124,668	64,891	59,308	64,891	60,069	102,090	91,766	145,657	107,715
35	138,501	116,477	180,989	149,693	70,823	64,027	70,823	64,945	118,751	105,033	179,997	126,783
40	162,048	133,080	220,130	177,085	76,198	68,178	76,198	69,254	136,030	118,386	219,316	146,993
43	177,019	143,298	246,226	194,748	79,178	70,425	79,178	71,595	146,703	126,439	245,594	159,695

Illustration 2: Young Deferred with a DC Pension Only

Illustrations showing the impact of fund transactional costs and scheme charges on a projected pension fund in today's money (£)

The 'Before charges' column shows the projected pension fund without any transaction costs, charges or rebates being applied.

The 'After all charges' column shows the projected pension fund after transaction costs, charges and rebates that have been applied.

	Mixed		Equity		FixedInterest		Cash		GrowthTkrFlexTgt		Schroder Global Emerging Markets	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	4,411	4,375	4,464	4,427	4,263	4,238	4,263	4,241	4,379	4,353	4,467	4,398
3	4,541	4,431	4,707	4,590	4,098	4,026	4,098	4,036	4,444	4,364	4,715	4,502
5	4,675	4,488	4,963	4,759	3,940	3,825	3,940	3,841	4,509	4,376	4,978	4,608
10	5,027	4,633	5,665	5,209	3,570	3,365	3,570	3,394	4,676	4,404	5,700	4,884
15	5,406	4,783	6,467	5,702	3,235	2,961	3,235	2,999	4,850	4,432	6,526	5,177
20	5,813	4,937	7,383	6,241	2,931	2,605	2,931	2,650	5,030	4,461	7,472	5,487
25	6,251	5,097	8,427	6,831	2,656	2,292	2,656	2,341	5,217	4,490	8,556	5,816
30	6,722	5,261	9,620	7,477	2,407	2,017	2,407	2,069	5,410	4,519	9,797	6,164
35	7,229	5,431	10,982	8,185	2,181	1,774	2,181	1,828	5,611	4,548	11,217	6,533
40	7,774	5,607	12,536	8,959	1,977	1,561	1,977	1,615	5,820	4,577	12,843	6,925
45	8,359	5,788	14,311	9,806	1,791	1,374	1,791	1,427	6,036	4,607	14,706	7,340

Notes

1. Values shown are estimates and are not guaranteed. Funds with greater growth opportunities may be more volatile than others.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. Each illustration has been produced on the basis this is the only fund invested in and that all transaction costs and scheme charges are deducted from that fund.
4. For the illustration for active members, the projections use a starting pot size of £13,929.79 for a member at age 25 and expected to retire at age 68.
5. For the illustration for deferred members, the projections use a starting pot size of £4,347.53 for a member at age 22 and expected to retire at age 67.
6. For active members, mean regular contribution of active members was used as the assumption and assume to increase in line with inflation
7. Inflation is assumed to be 2.5% p.a.

8. The growth rate for each fund is set out below. These are for illustrative purposes only and not guaranteed. The investment growth achieved may be more or less than this and may vary depending on the type of fund.

Schroder Global Emerging Markets	5.18%
Mixed	4.00%
Equity	5.25%
FixedInterest	0.50%
Cash	0.50%
GrowthTkrFlexTgt	3.25%

If the growth rate we've used is:

- the same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

9. The projections use average transaction costs for the underlying funds for the 3 years ending 31 May 2019, 31 May 2020 and 31 May 2021. They are therefore on a different basis compared with those in the earlier tables.
10. Where the average transaction cost is negative, it has been assumed to be zero.

Value for Money

The Trustee is committed to ensuring that members receive good value from the Plan. In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustee is required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members. The Trustee, with support from its advisers, Mercer Limited ("Mercer"), undertake a value for members assessment which they review and update this in line with legislative requirements annually.

Underpinning this assessment was the Trustee's belief that value is about using the resources at its disposal effectively to help members achieve a good outcome for life after work. In addition, while some measures of value should be scrutinised carefully over the short-term (for example, the performance of the Plan administrator), the Trustee believes that others, such as the suitability and performance of investment funds, span several years.

The value for money assessment covered the following aspects:

- Investment charges for the default investment arrangement and self-select options;
- Net of fees investment performance; and
- Investment fund range and ratings.

The review concluded that the Plan's overall benefits represent reasonable value for money in relation to member borne deductions. The reasons underpinning this conclusion are as follows:

- Charges for the Plan's default investment arrangement are significantly below the charge cap of 0.75% per annum.

- However, the levels of charge are mixed when comparing to similar products. The price paid by the members for the funds are in some cases slightly above what is expected for similar schemes in the market.

- The funds, where a Mercer research rating is available, have been assessed as all scoring "**A**" or "**B+"**. A sore of an "**A**" means that the fund has an above average prospect of outperformance. A score of a "**B+**" is still a good score and means that the fund has and above average prospect of outperformance, with some reservations. Five of the funds do not have a rating available.

- For the majority of the Plan's funds, the performance over the 3 years to 30 June 2021 compares favourably relative to the benchmarks, with passive funds either exceeding or performing within tolerance ranges (before fees) and the active funds meeting or outperforming their targets. However the Aegon Growth Tracker (Flexible Target) Lifestyle underperformed its benchmark over the 3 years and the Cash fund, although outperforming its benchmark, underperformed its target.

- The Aegon Growth Tracker (Flexible Target) Lifestyle contains about 70% of the Plan DC assets (c.£3.2m). Although acknowledging it has performed below its targets, performance has been strong in absolute terms. Given the Trustee is currently reviewing the Fidelity proposition and considering whether it may be in the best interests of members to move away from Aegon, the Trustee will continue to monitor the performance of the Aegon Growth Tracker (Flexible Target) Lifestyle fund, but will take no further action at this point.

- The administration services and products including online tools and member communications are below expectations, however the Trustee has implemented reasonable processes to ensure operations and services provided to members are suitable. Therefore services were found to provide reasonable value overall.

While the Trustee has concluded that over all the Plan provides reasonable value for members, they do not believe that the current level of member services is appropriate long term. Due to this they have been reviewing other options for the Plan's administration and investment. The Company is currently completing the last stages of setting up a new DC scheme with the Fidelity Master Trust, which the company will use to comply with its auto enrolment duties from 1 December 2021. Given the service and governance changes at Aegon, the Trustee is currently seeking advice from their investment advisers, on whether it would be in member's best interests to transfer the DC to the Company's Master Trust.

Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan. As a corporate Trustee, Standex Pension Trustees Ltd, ensures that its Directors have appropriate knowledge and understanding as if they were individual trustees.

Trustee training is of high importance to the good running of the Plan. The Trustee acknowledges how vital it is that its Trustee Directors maintain their knowledge of pension law, trust law, investment principles and are conversant with the Plan documentation including the Trust Deed and Rules, SIP, statement of funding principles and Plan policies. The Trustee receives regular updates from its advisers around any changes required to the Plan documentation and has recently updated its SIP following advice from its Investment Consultant.

In order to maintain this high level of knowledge, the Trustee has procedures and policies in place:

- All members of the Trustee board have completed the training modules from the Pensions Regulator's site, including those that are relevant to DC, and new board members are required to work towards this.

- The Trustee holds routine bi-annual meeting and keep a record of all Trustee meeting minutes. The Trustee is also prepared to meet on an ad-hoc basis as required.

- These meetings include consideration of a "DC News and Views" document, produced by the Plan's DC consultant. This document includes current topics in the DC market to ensure the Trustee are up to date with all the latest DC news and developments.

- The Trustee considers the Plan's risk register at least annually. This allows them to identify any potential risks to the Plan and put controls in place to mitigate them. The Trustees can also use this to help identify areas of improvement where they might need further training from their advisers.

- There have been changes to the SIP that required a review of investment objectives, particularly in respect of ethical, environmental, social and governance factors.

- The Trustee has discussed different pension vehicles with its advisors and the laws relating to those as well as the laws relating to investment switches.

- Each Trustee Director has access to their advisor's online portal, which holds copies of all documents for this purpose, including the Trust Deed and Rules and the SIP.

- The Trustee Board comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the challenges that its governance must address.

- The Trustee maintains a training log that sets out individual training activity.

- Trustee training is considered at trustee meetings to determine any specific training and development needs, training sessions are then planned accordingly;

- The Trustee's professional advisers attend all meetings and are asked to input into the agenda.

Training

Over the course of the last year the Trustee has demonstrated continuous commitment to learning by the Board of Trustee Directors.

Trustee Induction

There were no new Trustee Directors appointed over the course of the Plan year to which this statement relates. However, there is a robust training programme in place for newly appointed Trustee Directors.

Upon appointment, a new Trustee Director is required to undertake an induction process. This includes a training session with relevant advisers. The training session must be completed ahead of the Trustee's first formal Trustee meeting. New Trustee Directors are provided with a comprehensive pack which includes all essential Plan documents and information.

New Trustee board members are required to complete the TPR Trustee Toolkit within 6 months of appointment.

Examples Demonstrating TKU

The Trustee undertook a number of activities over the past year, which demonstrates how the Trustee Directors have a working knowledge of pension & trust law, funding & investment principles, the Trust Deed and Rules and the SIP. These activities are set out in the table below.

Requirement	How met
The Trustee must describe and demonstrate a working knowledge of the Trust Deed and Rules	The Trustee seeks to maintain conversant with the Plan's Trust Deed and Rules. One example of where this is demonstrated was when the Trustee instructed the Plan's legal advisers, Herbert Smith Freehills LLP, to provide advice on transitioning the DC Plan to a Master Trust arrangement having regard not only to regulatory provisions but also to the provisions of the Plan's trust documentation. If there are ever any ambiguities over the interpretation of the Rules legal advice is sought from Herbert Smith Freehills LLP. Herbert Smith Freehills LLP are invited to attend Trustee meetings, as required.
The Trustee must describe and demonstrate a working knowledge of the current Statement of Investment Principles (SIP)	The Trustee is conversant with, and has a working knowledge of, the current SIP. The Trustee undertake training on investment matters as required. The Trustee Directors have years of pensions experience, including building up knowledge of investment issues. The Trustee Directors are confident that the Board has a whole has sufficient knowledge of investment matters to be able to challenge their adviser when appropriate.

	This Plan year the SIP was updated in September 2020. This activity demonstrates the Trustee's understanding of the investment matters covered by the changes and their familiarity with the SIP generally. Over the Plan year, in Q4 2020, the Trustee also produced their Investment Implementation Statement stating how the policies in the SIP have been followed. This required them to assess afresh their investment principles and the extent to which their activities accord with its provisions.
The Trustee must describe and demonstrate that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational scheme	The Trustee has an investment adviser, Mercer Limited, who attends Trustee meetings, provides training and ensures the Trustee have sufficient knowledge and understanding of investment principles and advice on investment matters. The Trustee updated the Statement of Investment Principals in September 2020.
The Trustee must describe and demonstrate that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions	The Trustee appoints qualified advisers including an Actuary, investment adviser, administrators, auditors and legal advisers. These advisers regularly attend meetings and provide relevant training. The Trustee Board is comprised of 3 Trustee Directors with wide ranging skills and experience, including pension experience. All Trustee Directors have sufficient knowledge and expertise to challenge their advisers if and when appropriate to do so. The Trustee include a risk on succession planning in their risk register which was reviewed at the June 2020 Trustee meeting due to wider concerns around continuity of business during the Covid-19 pandemic with the aim of ensuring that in future there will always be sufficient skills and knowledge on the Trustee board. The Trustee also undertook an MNTD exercise with a view to appoint a further Trustee Director.
The Trustee must describe and demonstrate that they have sufficient knowledge and understanding of the law relating to pensions and trusts	At Trustee meetings held over the year, the Trustee's advisers reported on forthcoming changes to regulations, their potential impact on the Plan, and the actions required to ensure compliance, including any reference to the Trust Deed and Rules. In doing so, the Trustee remained informed about changes to pension laws, their duties in relation to those laws and the relevant provisions of the trust deed and rules. In addition, the Trustee consults with their legal advisers as and when queries arise. Having legal advisers to consult with helps the Trustee remain conversant with important powers and duties both set out in pension and trust law, and the Trust Deed and Rules. One particular example demonstrating that the Trustee is familiar

	with their duties is their annual DC Code assessment review and update. Each item of the Code is given a rating and any actions taken forward. Based on the last review, the Trustee included the DC code as part of their Risk Register to allow ongoing monitoring of the DC Code and the requirements of the underlying extensive legislation that the Code aims to help trustees comply with. It also helped the Trustee evaluate their own practices and policies relative to the standards of governance expected by TPR.
The Trustee must describe and demonstrate a working knowledge of all documents setting out the trustee's current policies	The Trustee holds bi-annual meetings to discuss DC section of the Plan. The Trustee is conversant with all the Plan policies, including but not limited to the following: • Conflicts of interest policy • Policy on reporting to TPR • New trustee director appointment • Risk policies • Training policy The Risk Register is reviewed and updated annually and covers DC and wider pension risks. This is just one example that demonstrates how the Trustee aims to hold relevant knowledge on DC specific policies.

Utilising Advisers

The Trustee believes that the best run schemes utilise the combined skill and knowledge of both the trustee, its professional advisers and service providers. The relevant skills and experience of those advisers are key criteria when evaluating adviser performance and selecting new advisers. Additionally, the following measures have applied during the period:

- The Trustee's professional advisers attend formal Trustee meetings.
- The Trustee board contains members with wide ranging skills and experience, including pension experience.
- The Trustee receives briefings from its advisers on all legislative and regulatory developments at each meeting.
- The Trustee appoints legal advisers to advise on any legal questions in relation to the Trust Deed and Rules and pensions law.
- The Trustee appoints administrators to administer the Plan in accordance with the Trust Deed and Rules and pensions law, and the Trustee monitors the administrators regularly.

Assessing Effectiveness

The Trustee understands that having knowledge on the board and professional advice available is essential, but this also needs to be used effectively in order for the board to act properly. Boards must have the necessary skills, both individually and collectively, if they are to perform at a high level. A Trustee Director's skill equips them to identify opportunities, manage risks, challenge professional advice and understand the evolving needs of their members. The Plan has attained these skills by bringing together individuals with different perspectives, experience and beliefs. Diversification can lead to higher quality decision making and monitoring.

The Trustee believes that the combined knowledge and understanding of the Trustee Directors (as described above) supplemented by the advice received from the Trustee's professional advisers (as described above), enable the Trustee to properly exercise their functions as trustee of the Plan. The examples below demonstrate the actions that have been taken to ensure this is the case:

- At the beginning of each year the Trustee produces a Business Plan. Throughout the year the Trustee monitors its progress against its Business Plan to ensure the board is performing effectively and is meeting the objectives set out.

- The Trustee maintains a conflicts of interest policy which identifies any possible conflicts. Conflicts are considered at every Trustee meeting. This ensures and decisions which are made are made in the best interests of the members.

- The Trustee undertakes a biennial evaluation of their effectiveness and training requirements, which includes specific consideration of whether any further training is required in respect of many different areas.

Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee to the best of its knowledge.

Name: James Fletcher_________________________
Chairman of Trustee of the Standex UK Pension Plan

Signed: ___________________________

Date: ____16/12/2021_______________________

Appendix A - Statement of Investment Principles effective September 2020.

Appendix A – Statement of Investment Principles

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%
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**