Taylor Maxwell Group Limited Pension and Assurance Scheme

Statement of Investment Principles

June 2019

Trigon Pensions Limited
Trigon House
The Promenade
Clifton
Bristol
BS8 3NG

Authorised and regulated by the Financial Conduct Authority. Registered in England no. 2241043. VAT registration no. 496 6220 19.

CONTENTS

Background	3
Defined Benefits Section	
▶ Investment Objectives	4
▶ Investment Strategy	5
▶ Performance Objectives and Annual Management Charges	6
Defined Contribution Section	
▶ Investment Strategy	8
▶ Performance Objectives and Annual Management Charges	10
Additional Voluntary Contributions (AVCs)	12
Trustees' Policy on Risk	13
Trustees' Policy on Investment Risk	14
Realisation of Investments	15
Environmental, Social and Corporate Governance Considerations	16
Compliance with this Statement	17

BACKGROUND

1. This Statement sets out the principles governing the investment of the assets of the Taylor Maxwell Group Limited Pension and Assurance Scheme (the "Scheme") in accordance with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005.

   Under Section 35 of The Pensions Act 1995, the Trustees are required to prepare a written Statement of Investment Principles, dealing with specified matters.

2. This Statement has been agreed by the Trustees, who have obtained appropriate professional advice from their appointed Investment Consultants, Trigon Pensions Limited. The Trustees have also consulted the Principal Employer, Taylor Maxwell Holdings Limited (the "Company"), regarding the investment policy described in this Statement.

3. The Scheme's assets are held under trust by the Trustees. The Trustees' investment powers are set out in Clause 5.10 of the Scheme's governing Trust Deed dated 29 October 1998. The content of this Statement does not conflict with those powers.

4. The Trustees employ Baillie Gifford & Co. Limited ("BG") and Legal & General Investment Management Limited ("LGIM") to manage the assets of the Scheme (together "the Investment Managers").

   The investment comprises units in pooled managed funds. The Investment Managers are responsible for the day-to-day investment management of the Scheme's assets held with them.

   The Financial Conduct Authority regulates the Investment Managers.

5. The portfolios of securities and cash underlying the units issued by the Investment Managers are held by independent corporate custodians and are regularly audited by external auditors.

6. The Trustees have signed an Investment Management Agreement with the Investment Managers setting out in detail the terms under which the portfolio is operated.

7. The management of the Scheme's assets is required to be consistent with this Statement.

8. The Trustees employ Trigon Pensions Limited as their Investment Consultants to advise on general matters relating to the investment of the Scheme's assets and on reviewing this Statement of Investment Principles. Trigon Pensions Limited is authorised and regulated by the Financial Conduct Authority.

INVESTMENT OBJECTIVES - DEFINED BENEFIT SECTION

1. The Scheme's Statutory Funding Objective (measured on an ongoing basis) is updated regularly in accordance with regulations. This Statement of Investment Principles has been drawn up to take into account the investment returns assumed in the Statutory Funding Objective and outlined in the Statement of Funding Principles.

2. In the results of the Scheme's actuarial valuation dated 31 March 2018, the investment returns used to assess the Scheme's liability were as follows:

   - Pre-retirement 2.15% p.a.
   - Post-retirement 2.15% p.a.

3. The Trustees aim to hold a portfolio of assets that will achieve returns in excess of investment returns indicated in the Statement of Funding Principles, without exposing the Scheme to excessive risk

4. The Trustees have agreed with the Company a policy of investing in equity funds, a target return fund, property, an absolute return bond fund and liability driven investment.

INVESTMENT STRATEGY - DEFINED BENEFIT SECTION

1. The Trustees review their investment strategy at least at every triennial actuarial valuation, to ensure that the strategy remains consistent with its funding principles. The Trustees may review the strategy earlier than this if opportunities arise to reduce risk within the investments without jeopardising the funding position.

2. Following the actuarial valuation as at 31 March 2018, the Trustees have developed a broad strategy as follows:

<table>
<tr><th>Fund</th><th>Manager</th><th>Allocation</th></tr>
<tr><td>UK Equity Pension Fund</td><td>BG</td><td>15%</td></tr>
<tr><td>Overseas Equity Pension Fund</td><td>BG</td><td>15%</td></tr>
<tr><td>Diversified Growth Fund</td><td>BG</td><td>20%</td></tr>
<tr><td>Property Fund</td><td>LGIM</td><td>15%</td></tr>
<tr><td>Absolute Return Bond Plus Fund</td><td>LGIM</td><td>10%</td></tr>
<tr><td>L&G Matching Core Fixed Short</td><td>LGIM</td><td rowspan="4">25%</td></tr>
<tr><td>L&G Matching Core Fixed Long</td><td>LGIM</td></tr>
<tr><td>L&G Matching Core Real Short</td><td>LGIM</td></tr>
<tr><td>L&G Matching Core Real Long</td><td>LGIM</td></tr>
<tr><td></td><td></td><td>100%</td></tr>
</table>

3. The Trustees monitor the actual asset allocation of the Scheme. If the asset allocation moves more than +/- 5% from the benchmark allocation noted above, the Trustees will decide whether to amend the asset allocation. The LDI Funds will be monitored annually to ensure appropriate hedging levels are being maintained.

4. BG actively manage UK and overseas equities.

5. BG actively manage the target return funds.

6. LGIM actively manage the Property Fund.

7. LGIM passively manage equities, corporate bonds and gilts.

8. LGIM actively manage the LDI funds.

PERFORMANCE OBJECTIVES AND ANNUAL MANAGEMENT CHARGES - DEFINED BENEFIT SECTION

1. The Investment Managers' performance objectives are as follows:

Fund	Manager	Performance Objective
UK Equity Pension Fund	BG	Outperform the FTSE All-Share Index before fees over rolling 3 year periods.
Overseas Equity Pension Fund	BG	Outperform composite benchmark based on the corresponding FTSE and MSCI indices for America, Europe, Developed Asia Pacific and Emerging Markets by 1.5% - 2.0% p.a.sc (before fees) over rolling 3 year periods.
Diversified Growth Fund	BG	UK base rate +3.5% p.a. (net of fees) over rolling five year periods.
Property Fund	LGIM	Outperform the Association of Real Estate Funds/Investment Property Databank UK Quarterly All Balanced Property Funds Index ("PFI") over three and five year periods.
Absolute Return Bond Plus Fund	LGIM	3 month sterling LIBOR +3.5%p.a. over rolling-three year periods.
L&G Matching Core Fixed Short	LGIM	To hedge 100% of the interest rate and inflation risks associated with the Scheme liabilities on a Technical Provisions Basis
L&G Matching Core Fixed Long	LGIM	To hedge 100% of the interest rate and inflation risks associated with the Scheme liabilities on a Technical Provisions Basis
L&G Matching Core Real Short	LGIM	To hedge 100% of the interest rate and inflation risks associated with the Scheme liabilities on a Technical Provisions Basis
L&G Matching Core Real Long	LGIM	To hedge 100% of the interest rate and inflation risks associated with the Scheme liabilities on a Technical Provisions Basis

PERFORMANCE OBJECTIVES AND ANNUAL MANAGEMENT CHARGES - DEFINED BENEFIT SECTION (continued)

2. The Investment Managers' fees are currently charged on the following basis:

Fund	Manager	Fee (p.a.)
UK Equity Pension Fund	BG	0.55%
Overseas Equity Pension Fund	BG	0.55%
Diversified Growth Fund	BG	0.65%
Property Fund	LGIM	0.70%
Absolute Return Bond Plus Fund	LGIM	0.35%
L&G Matching Core Fixed Short	LGIM	0.24%
L&G Matching Core Fixed Long	LGIM	0.24%
L&G Matching Core Real Short	LGIM	0.24%
L&G Matching Core Real Long	LGIM	0.24%

Legal & General also charge an annual basic charge of £1,500.

INVESTMENT STRATEGY - DEFINED CONTRIBUTION SECTION

1. The Trustees aim to ensure that members are offered a range of suitable funds to address varying life situations and preferences and also that the Scheme's assets are invested in the best interest of the members.

2. The Trustees have agreed with the Company to maintain a policy of offering an equity fund, and a balanced fund, bond fund, cash fund, as well as property investment.

3. The assets of the Defined Contribution Section are invested in the following pooled funds operated by LGIM:
   - Global Equity (70:30) Index Fund
   - UK Equity Index Fund
   - Multi Asset (formerly Consensus) Fund
   - Dynamic Diversified Fund
   - Property Fund
   - Over 15 Year Gilts Index Fund
   - Cash Fund

4. Members are free to allocate their contributions to any one or more of the funds offered. Members can change their fund choice once a year without charge.

5. The Trustees have also set up the following Lifestyle Funds as options for members to invest in:
   - Cautious Lifestyle
   - Balanced Lifestyle (the default investment option for members)
   - Adventurous Lifestyle
   - Cash Lifestyle

The Cautious Lifestyle Fund initially invests in the Multi Asset (formerly Consensus) Fund. Switches occur over the 15 years prior to selected retirement age (SRA). During the final 15 years, the profile will gradually switch to 75% gilts and 25% cash.

The Balanced Lifestyle Fund initially invests in the Multi Asset (formerly Consensus) Fund. Switches occur over the 10 years prior to SRA. During the final 10 years, the profile will gradually switch to 75% gilts and 25% cash.

The Adventurous Lifestyle Fund initially invests in 70% UK equity and 30% overseas equity. Switches occur over the 5 years prior to SRA. During the final 5 years, the profile will gradually switch to 75% gilts and 25% cash.

INVESTMENT STRATEGY - DEFINED CONTRIBUTION SECTION (continued)

The Cash Lifestyle Fund initially invests in the Multi Asset (formerly Consensus) Fund. Switches occur over the 10 years prior to SRA. During the final 10 years, the profile will gradually switch to 100% cash.

6. Post-retirement, those members that remain invested within the Scheme will have their funds invested into the LGIM Dynamic Diversified Fund as the default option.

7. Members will also have the option to invest in any of the pooled funds set out above, without the lifestyle options.

PERFORMANCE OBJECTIVES AND ANNUAL MANAGEMENT CHARGES - DEFINED CONTRIBUTION SECTION

1. The Investment Managers' performance objective are as follows:

Fund	Manager	Performance Objective
Global Equity (70:30) Index Fund	LGIM	Capture the returns of the UK and overseas stock markets as represented by the FTSE All-Share Index for the UK and the FTSE All-World ex UK Index for overseas stock markets. The fund will be split approximately 70% to the FTSE All-Share Index and 30% to the FTSE All-World ex UK Index. In order to accurately track these indices the fund will invest in a representative sample of holdings
UK Equity Index Fund	LGIM	Track the performance of the FTSE All-Share Index to within +/-0.25% p.a. for two out of three years
Multi Asset (formerly Consensus) Fund	LGIM	ABI UK Mixed Investment 40%-85%
Dynamic Diversified Fund	LGIM	Bank of England Base Rate + 4% p.a. over a full market cycle
Property Fund	LGIM	Outperform the Association of Real Estate Funds/Investment Property Databank UK Quarterly All Balanced Property Funds Index ("PFI") over three and five year periods.
Over 15 Year Gilts Index Fund	LGIM	FTSE A Government (Over 15 Year) Index
Cash Fund	LGIM	Perform in line with 7 Day LIBID, without incurring excessive risk

PERFORMANCE OBJECTIVES AND ANNUAL MANAGEMENT CHARGES - DEFINED CONTRIBUTION SECTION (cont.)

2. The Investment Managers' fees are currently charged on the following basis:

Fund	Manager	Fee (p.a.)
Global Equity (70:30) Index Fund	LGIM	0.16%
UK Equity Index Fund	LGIM	0.10%
Multi Asset (formerly Consensus) Fund	LGIM	0.25%
Dynamic Diversified Fund	LGIM	0.50%
Property Fund	LGIM	0.70%
Over 15 Year Gilts Index Fund	LGIM	0.10%
Cash Fund	LGIM	0.125%

3. For members remaining in the Scheme post-retirement, there will be a fixed administration charge of £300 p.a. plus a per payment fee of £250, subject to a cap of 0.6% of the total value of the member's Fund. These charges will be deducted directly from the member's post-retirement investment funds.

▶ ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

1. The Trustees provide a facility to members to pay AVCs to enhance their benefits at retirement.

2. AVCs are held separately from the assets managed under the Defined Benefit Section of the Scheme.

3. Active members are able to contribute AVCs with LGIM to enhance benefits at retirement.

TRUSTEE'S POLICY ON RISK

1. **Risk relative to the Liabilities**
The Trustees' view is that the investment strategy, and the performance objectives described in this Statement, are consistent with the long term nature of the Scheme, and in the long term, should provide returns in excess of those assumed in the actuarial valuation. Following the Enhanced Transfer Value Exercise, the Scheme is approximately 100% funded on a Technical Provisions basis. The Trustees aim to hedge 100% of the inflation and interest rate risks associated with the Technical Provisions liabilities.

2. **Risk from lack of Diversification**
The Trustees believe that the need for an adequately diversified overall asset allocation is met by using a combination of funds described in the investment strategy, and are enhanced by the use of a number of different Investment Managers.

3. **Risk from Unsuitable Investments**
Whilst the Trustees accept the need for diversification they recognise that some types of investment could be considered unsuitable. These include:

- Investment in unlisted securities
- Use of derivatives (except when entered into with appropriate safeguards)
- Illiquid investments
- Cash deposits with institutions with inadequate credit ratings

The Trustees have considered these investments in conjunction with their Investment Managers and is satisfied that appropriate precautions are in place.

4. **Risk from Underperformance of the Investment Managers**
There is a risk that the Investment Managers fail to achieve their Investment Objectives. This risk is considered by the Trustees on the initial appointment of the Investment Managers and is reviewed on an ongoing basis by holding regular meetings with the Investment Managers.

5. **Risk from Self-Investment**
The Trustees do not hold any investments in Taylor Maxwell Holdings Limited nor is it intended that any such employer-related investment should be held at any time in the future.

6. **Risk from Company Failure**
The Trustees review the Company covenant on a regular basis and may review the appropriateness of the Scheme's investment strategy if there are any material changes to the following:

- The creditworthiness of the Company and any breaches of covenants
- The Company's balance sheet or borrowing or capital expenditure plans
- Forecasts of cashflow

TRUSTEE'S POLICY ON INVESTMENT RISK

1. **Credit Risk**
Credit risk is the risk that an issuer will default on a debt, resulting in financial loss for the lender. The Scheme is directly exposed to credit risk through funds being held by a third party in pooled investment vehicles. This risk is mitigated by the underlying assets of the funds being ring-fenced from the Investment Managers and managed by the relevant custodians, the regulatory environments in which the Investment Managers operate and diversification of investments through investing in a number of different asset classes across a number of different Investment Managers. Indirect credit risks arise from the underlying bonds held within the pooled funds, but these are mitigated by investing in pooled investment vehicles where the Investment Manager invests in a diversified pool of assets.

2. **Currency Risk**
This risk arises from the value of an asset fluctuating due to changes in foreign exchange rates (currency pricing). Indirect currency risk arises from overseas investments, though Investment Managers may hedge foreign currency exposure back to sterling to mitigate this risk. Overseas equity funds may not hedge back to sterling and instead will use the exposure tactically, resulting in significant currency risk.

3. **Inflation Risk**
This is the risk that cash flows from an investment will not be worth as much in the future because of the effects of inflation. The Scheme is indirectly exposed to inflation risk through its bond and cash holdings. The Trustees have mitigated this risk by hedging 100% of inflation risk through their LDI strategy, and to a limited extent by holding equities, target return funds and property. Equities in the long term have outperformed in real (inflation-adjusted) terms.

4. **Interest Rate Risk**
This is the risk that the value of an asset will fluctuate with changes in interest rates. The Scheme is indirectly exposed to this risk through the bond, property and cash elements of the portfolio. The Trustees manage this risk through the matching characteristics of the underlying bonds' duration compared to that of the liabilities of the Scheme particularly within their LDI strategy. As changes in interest rates affect bond and LDI asset values, the liability value will be similarly affected, hedging some of the exposure to interest rate risk.

5. **Other Price Risk**
The Scheme is exposed to other price risk through assets that will fluctuate because of factors specific to the instrument or issuer, not related to interest rate or inflation; this can include funds invested in equities, property or commodities. The Scheme is not exposed directly to this risk, however the Trustees have mitigated against indirect risk by investing in a diversified range of pooled investment vehicles.

6. **LDI Holdings**
The Trustees currently invest in an LDI strategy aiming to hedge against the interest rate and inflation risks associated with the liabilities. The Trustees currently hedge 100% of inflation risk and 100% of interest rate risk. This level of hedging is reviewed annually. LGIM seeks to mitigate counterparty risk associated with using Over-The-Counter derivatives by making use of central clearing and collateralising mark to market exposure.

REALISATION OF INVESTMENTS

1. The assets held by the Investment Managers are regarded as readily marketable. Notice for realisation of assets can be given on any working day for any amount.

2. Units issued by LGIM are credited to the Trustees and are redeemable at bid prices for the Defined Benefit Section and dealing prices for the Defined Contribution Section, calculated from current stock prices plus any applicable charges. Units issued by BG are single priced. Any redemptions made will be disinvested using the authorised price on that given day plus any applicable charges.

3. The Trustees need to have regard to the Scheme's likely cashflow requirements in order to minimise the likelihood of having to realise investments when market conditions are unfavourable.

4. In order to meet the Scheme's benefits, regular disinvestments of assets take place. The funds from which disinvestments are made will be influenced by market conditions and the asset distribution at that time.

5. The Trustees have in place an instruction with LGIM delegating the action to be taken in the event of a breach in the hedging multiple from the upper and lower rebalancing point of the LDI Funds. LGIM will seek to rebalance the hedging multiple as close as possible to the target hedging multiple, 100% of interest rate and inflation risk, for the LDI Funds. In the event of the hedge exceeding the upper rebalancing point, the Scheme will surrender units from the LGIM Absolute Return Bond Plus Fund into the LDI Funds. In the event of the hedge falling below the lower rebalancing point, LGIM will surrender units into the LGIM Absolute Return Bond Plus Fund from the LDI Funds.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE CONSIDERATIONS

1. The Trustees' duty is to act in the best financial interests of the Scheme's beneficiaries. This includes undertaking due diligence when appointing Investment Managers, by reviewing each potential Investment Manager's policies and procedures regarding Environmental, Social and Governance (ESG) issues. The Trustees believe that a considered approach to ESG issues can enhance the investment processes of the Investment Manager that they employ. They believe that responsibly managed companies are better placed to achieve a sustainable competitive advantage and provide strong long-term growth.

2. The Trustees expect the appointed Investment Managers, when assessing the financial attractiveness and overall risk of any investment, to have due regard for all relevant issues, including the impact of ESG matters. This includes continually monitoring their ESG efforts, principles and processes and making their records of engagement available to investors.

3. The Investment Managers utilised by the Scheme have opted to sign the Principles for Responsible Investment, a set of six voluntary and aspirational principles supported by the United Nations, which offer an assortment of possible actions for incorporating ESG issues into investment practice. The principles were developed by investors, for investors, and aim to assist signatories in developing a more sustainable global financial system.

4. The Investment Managers utilised by the Scheme have also produced individual statements on their compliance with the UK Stewardship Code, as published by the Financial Reporting Council. This code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders, and includes details on matters such as voting rights. The code was last updated in 2012 and is currently undergoing consultation for its next update.

5. The Trustees have also delegated to their Investment Managers the exercise of corporate governance issues, including the exercise of voting rights to investments.

6. At this time the Trustees do not take into account members' ESG considerations, and have no plans to seek the views of the members. The Trustees have delegated the ESG considerations to their Investment Managers, and have taken the Investment Manager's ESG policies into account when appointing them.

COMPLIANCE WITH THIS STATEMENT

1. The Trustees will review this Statement in response to any material changes to any aspects of the investment arrangements detailed above. This review will occur no less frequently than every three years to coincide with the actuarial valuation. Any such review will be based on investment advice and will be in consultation with the Company.

2. Copies of this Statement have been supplied to the Actuary, the Company, the Investment Consultant and the Investment Managers.

Signed on behalf of the Trustees of the Scheme

Signed: M A .... Date: 4 JUNE 2019

Name: M. A. PHILLIPS