

Statement of Investment Principles

This is the Statement of Investment Principles made by BESTrustees Limited (“the Trustee”) of the Menzies Pension Fund (“the Scheme”) in accordance with the Pensions Act 1995 (as amended). It is subject to periodic review by the Trustee at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the employer of the Scheme (John Menzies Plc). Advice from the Investment Business Unit of Hymans Robertson LLP has also been considered.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects investment managers to comply with the code and to produce a statement of its commitment to the code.

Objectives

The Trustee’s primary objective is to ensure that the Scheme has sufficient cash to pay member benefits as and when they fall due.

The funding specific objective is to be fully funded on the Scheme’s Technical Provisions basis by 31 March 2026. The Trustee also aims to achieve 100% funding on a gilts basis by 2034.

Investment Strategy

The Trustee has translated its objective for the Scheme into a suitable strategic benchmark.

All day to day investment decisions have been delegated to a number of authorised investment managers. The strategic benchmark reflects the choice and mix of funds in which the Scheme invests. The strategic benchmark is consistent with the Trustee’s views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk for the Scheme.

The investment strategy takes due account of the maturity profile (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners) and the funding level of the Scheme. The Trustee monitors the Scheme’s asset performance relative to the strategic benchmark.

The Trustee monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme and will normally be reviewed annually. Written advice is received as required from professional advisers.

The Scheme invests in a wide variety of asset classes including equities, bonds and property. The Scheme also invests in leveraged Liability Driven Investment (“LDI”) funds in order to reduce the Scheme’s exposure to interest rate and inflation risk.

Risk

The Scheme is exposed to a number of risks which pose a threat to meeting its objectives. The principal risks affecting the Scheme are as follows.

Funding risks

- **Financial mismatch**

1. The risk that the Scheme’s assets fail to grow in line with the developing cost of meeting Fund liabilities.
2. The risk that unexpected inflation increases the pension and benefit payments and the Scheme’s assets do not grow fast enough to meet the increased cost.

- **Interest rate risk** – The risk that interest rates fall which increases the value of the Scheme’s liabilities and this is not matched by an increase in the value of the Scheme’s assets.
- **Changing demographics** – The risk that longevity improves, and other demographic factors change increasing the cost of Fund’s benefits.
- **Systemic risk** - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting Fund liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.
- **Covenant risk** – The risk that the sponsoring Company is unable, or unwilling, to contribute into the Scheme.

The Trustee measures and manages funding risks as follows:

The Trustee measures and manage financial mismatch in two ways. As indicated above, the Trustee has set a strategic asset allocation benchmark for the Scheme. They assess risk relative to that benchmark by monitoring the Scheme’s asset allocation and investment returns relative to its respective benchmark. They also assess risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities. The LDI portfolio includes an element of interest rate and inflation hedging to help reduce the implications of interest rates and inflation risk.

The Trustee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Trustee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

The Trustee receives regular updates from John Menzies plc to get a greater understanding of the sponsors’ financial positions and plans for the future.

Asset risks

- **Concentration** - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- **Illiquidity** - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- **Interest rate risk** – As noted above, the risk that the Scheme’s assets will fluctuate because of changes in market interest rates.
- **Currency risk** – The risk that the currency of the Scheme’s assets underperform relative to Sterling (i.e., the currency of the liabilities).
- **Other price risk** – The risk that the Scheme’s value will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- **Credit risk** – The risk that one or more of the issuers of the Scheme’s bond holdings default on their payments.
- **Manager underperformance** - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- **Leverage** – The risk that any leverage used in the Scheme’s investments magnify any losses that are incurred.

- **Environmental, Social and Governance (ESG) risks** – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- **Climate risk** - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee measures and manages asset risks as follows:

They provide a practical constraint on the Scheme's investments deviating greatly from the intended approach by setting diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Trustee's expected parameters. The Trustee has delegated manager performance measurement and mandate rebalancing to the Scheme's in-house Pension team.

By investing across a range of assets, including quoted equities and bonds, the Trustee has recognised the need for some access to liquidity in the short term.

The Scheme invests in a range of overseas markets which provides a diversified approach to currency markets. The Scheme also invests in a diversified range of bonds, which are predominately investment grade, to reduce the potential impact of any bond defaulting.

The risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio. In appointing several investment managers in the Scheme, the Trustee has considered the risk of underperformance by any single investment manager.

The Trustee does not expect investment managers to take excess short-term risk and will regularly monitor each manager's performance against the benchmarks and objectives set on a short, medium and long terms basis.

The Trustee reduces the risk associated with using leverage by investing in pooled funds which have pre-defined leverage benchmarks, leverage limits and recapitalisation processes.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- **Transition risk** - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee takes professional advice and consider the appointment of specialist transition managers.
- **Custody risk** - The risk of losing economic rights to Fund's assets, when held in custody or when being traded.
- **Credit default** - The possibility of default by a counterparty in meeting its obligations.
- **Operational risk** – The risk of loss as a result of fraud, cyberattacks, poor advice, acts of negligence or lack of suitable process.
- **Legislative risk** – The risk that investment managers fail to comply with changes to legislation such as General Data Protection Regulation (GDPR).

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Scheme or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g., custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.

General investment principles

To achieve its objectives the Trustee has agreed the following:

Choosing Investments

The Trustee has appointed investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

Where appropriate, and where commercial considerations permit, the terms of the investment manager's mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

Given the size and nature of the Scheme, the Trustee invests the Scheme's assets on a pooled fund basis; any such investment is effected through a direct agreement with an investment manager and/or through an insurance contract. The Trustee is satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

The Scheme invests in a LDI portfolio, which invests in assets that will respond to changes in interest rates and inflation in a similar, but not necessarily identical, manner to changes the Scheme's liabilities.

The Trustee has a set of Investment Beliefs which provides a framework for all investment decisions that the Trustee makes. The Trustee has also a set of Responsible Investment Beliefs. These Beliefs are reflected in the Scheme's underlying assets and in the Trustee's ways of working.

The Trustee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in an asset class or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Trustee recognises the long-term nature of the Scheme's liability profile and appoints managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objectives.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustee expects the term of the appointment to be the lifetime of the investment.

The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the

management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

Kinds of investments to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash and property, either directly or through pooled funds. The Scheme may also make use of contracts of insurance, derivatives, contracts for difference and other derivatives (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all these classes of investment to be suitable in the circumstances of the Scheme and all are permitted under the Trust Deed.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market each manager will maintain a diversified portfolio of stocks through direct investment or pooled vehicles.

Expected return on investments

Over the long term, the overall level of investment return for the Scheme is expected to exceed the rate of return assumed by the Trustee in its Statement of Funding Principles and Recovery Plan.

Realisation of investments

The majority of the Scheme's investments may be realised quickly if required. The private debt and some of the assets in the diversified growth mandate are less liquid and may take time to realise.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the manager's portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report, on at least an annual basis, on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustee has explicitly acknowledged the relevance of climate change and ESG factors in framing its responsible investment beliefs and these beliefs are reflected in the principles set out below and the broader implementation of strategy.

Strategic considerations

The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting its strategic benchmark. The Trustee will discuss the potential impact of climate change with its advisors and, where relevant and to the extent that they are able, will consider reflecting the inherent uncertainties in its choice of funding assumptions. The Trustee will periodically discuss climate change with its investment adviser and investment managers to consider the potential implications for the Scheme's investments.

Structural considerations

Given the discretion afforded to the active investment managers, the Trustee expects that its investment managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of its mandate.

Selecting investment managers

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to its individual investment managers. The Trustee has discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of its investment managers and are satisfied that the investment managers are following an approach which takes account of all financially material factors.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe this approach is in line with the basis on which its current strategy has been set. The Trustee will review the index benchmarks employed for the Scheme on at least a triennial basis.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly consider potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in its decision making. They monitor compliance with these standards on a periodic basis.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustee has not considered any non-financially material factors in the development and implementation of its investment strategy.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions on stocks to its investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting policies of its investment managers and determined that these policies are appropriate. The Trustee will request its investment managers provide details of any change in their house policies on a regular basis.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to its investments in order to improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by its investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where

managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place. Managers are required to disclose any potential or actual conflict of interest to the Trustee.

Monitoring

Investment managers report on voting activity to the Trustee on a periodic basis and the Trustee periodically monitors investment managers' voting activity and may review managers voting patterns. The Trustee may also monitor investment managers' voting on particular companies or issues affecting more than one company.

The Trustee reviews manager voting activity on a periodic basis and use this information as a basis for discussion with its investment managers. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

Managers are challenged both directly by the Trustee and by its investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Additional voluntary contributions (AVCs)

The Scheme's members may also hold AVCs. The Trustee reviews the suitability of its AVC offering on a regular basis in line with pensions regulations.

Signed for and on Behalf of the Trustee of the Menzies Pension Fund

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Authorised Signatory

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Authorised Signatory