Statement of Investment Principles

This is the Statement of Investment Principles made by BESTrustees Limited as Trustee of the Menzies Pension Fund ("the Trustee") 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 John Menzies Limited, the employer of the Menzies Pension Fund. 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.

Scheme objective

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 Trustee has entered a series of insurance policies with Just Retirement Limited ("Just") that are expected to secure the benefits of Scheme members in return for premium payments. The premium payments are scheduled to be paid until 30 November 2026, by which point the majority of Scheme members will be covered by the insurance policies (the exception being members considered eligible for a potential wind-up lump sum). The premium payments are paid to Just by the Scheme from contributions from the employer.

Investment Strategy

The Scheme holds the majority of assets within insurance policies managed by Just. The majority of the Scheme's liabilities are secured by these matching assets. The Scheme's residual assets are held in government bond and cash like instruments.

The Trustee expects the purchase of insurance policies, and the resulting monthly payments from Just, to help protect the Scheme from key risks such as credit risk, interest rate risk, inflation risk and longevity risk associated with the Scheme's liabilities.

Choosing Investments

The insurance policies held with Just are expected to cover a majority of the Scheme's benefit obligations. Only members considered eligible for a potential wind-up lump sum have been excluded from the policies and their benefit obligations will be funded by the employer as and when required. The Scheme holds residual assets in cash to cover any significant cash calls on an ongoing basis, however, the level of these residual assets would not materially hedge the unsecured member liabilities. The Trustee is reliant on the strength of the employer's covenant and the Schedule of Contributions for the receipt of further contributions from the employer to meet liabilities not included in the Just policies. Scheme expenses are paid directly by the employer.

Expected return on investments.

The Trustee has entered into a series of insurance policies with Just. The policies have not been structured with expected return in mind, but instead aim to match the Scheme's insured benefit obligations.

Realisation of investment

The insurance policies are illiquid. This is recognised by the Trustee as they are not expected to be sold in the future. However, the remaining, residual assets of the Scheme may be realised quickly if required.

Portfolio turnover

Given the Scheme's non-insured investment strategy is now expected to consist of cash and government bonds, the Trustee expects the turnover to be low.

Risk

The Trustee has identified and acknowledged the risks inherent in its strategy to secure the Scheme's liabilities with Just but believes that the policies in place are suitable given the stated investment objectives. A key potential risk relates to the insurance regime – the risk of failure within the UK insurance sector impacting the ability of Just to meet their obligations under the insurance policies held by the Scheme.

To mitigate against this risk, the Trustee undertook due diligence on Just and received professional advice prior to entering the policies. The Scheme is also protected by the reserving requirements and stress testing in place for the insurance sector. The Trustee expects insurance provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payment benefits from the provider to the Scheme and periodically, at least annually, monitors the financial covenant of the provider.

Other key risks for the Scheme are listed below:

- **Manager underperformance (residual assets):** The inability of the fund managers to achieve their stated investment objectives.
- **Funding Risk:** The majority of Scheme members are covered by insurance policies and continue to be members of the Scheme, and the Trustee continues to have ultimate responsibility for the payment of benefits to these members. The Trustee expects the insurance policies to fully protect the Scheme against funding risk but there remains a residual risk that a mismatch between payments from the insurer and ongoing benefit payments may arise. Additional funding risks exist, due to financial and insurer market exposure, for a minority of members not currently covered by the insurance policies (considered at the time to be eligible for a wind-up lump sum).
- **Covenant Risk**: The risk that the employer is unable, or unwilling, to contribute to the Scheme**.**
- **Systemic Risk:** Systemic risk is a financial risk that poses a threat to financial stability. The possibility of an interlinked and simultaneous financial stress suffered by the government and corporate sectors leading to stress in several asset classes, possibly compounded by financial 'contagion,' resulting in a deterioration in the financial health of the insurer may negatively impact the ability of the Scheme to meet its pension obligations.
- **Credit default Risk:** 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.

These risks are largely mitigated by the Scheme's investment in insurance policies.

Responsible Investment

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors, including Environmental, Social and Governance ("ESG") factors, is relevant at various stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee expects that Just will take account of all financially material factors, including the potential impact of ESG issues, in the implementation of their mandate. This includes relevant climate-related risks and opportunities as they pertain to Scheme members.

Given the nature of the insurance contract, the Trustee has not made explicit allowance for climate change in framing the strategic asset allocation. The Trustee expects Just to actively consider ESG and climate risk factors in their investment decision making. Just’s policies on ESG and climate risk were factors considered by the Trustee as part of the selection process.

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. Given that the Scheme’s assets are comprised of insurance policies and residual cash/government bonds, stewardship and voting are now of reduced relevance for the Scheme.

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