

AGA Rangemaster Group Pension Scheme

Statement of Investment Principles

December 2024

1. Introduction

The Trustee of the AGA Rangemaster Group Pension Scheme (the "**Scheme**") has prepared this Statement of Investment Principles ("**SIP**") in respect of the defined benefit assets of the Scheme with effect from 29 November 2024.

This SIP is produced to meet the requirements of:

- the Pensions Act 1995 & 2004,
- the Occupational Pension Schemes (Investment) Regulations 2005,
- the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

It also reflects the Pensions Regulator's General Code of Practice (Statement of Investment Principles module) and reflects the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on this Statement and with the disclosure requirements.

Administration of the Scheme is managed by the Trustee of the Scheme, ARG Pensions (1974) Limited, which has overall responsibility for the investment of the Scheme's assets. Some of the Scheme's defined benefit assets are held through the common investment fund known as the AGA Rangemaster Commingled Fund; this statement is drawn up in conjunction with the Trustees of the AGA Rangemaster Commingled Fund.

This Statement of Investment Principles supersedes the Statement of Investment Principles dated 30 September 2020. This Statement also reflects that Middleby Marshall Inc (the "**Guarantor**" under the long-term agreement referred to herein and the immediate subsidiary of the parent company of the Scheme's sponsoring employer, Aga Rangemaster Group Limited) and the Trustee have entered into a long-term agreement for the future funding and investment strategy of the Scheme following the 31 December 2014 and subsequent actuarial valuations. This agreement is documented in this Statement, the Scheme's Statement of Funding Principles ("**SFP**"), the Conditional Guarantee dated 23 September 2015 (as amended by the Deed of Amendment dated 12 December 2024), the Unconditional Guarantee dated 23 September 2015 and a Framework Agreement dated 14 July 2015.

This Statement also supersedes the Statement of Investment Principles dated 30 September 2020 in that it should be considered to represent the 'Statement of Investment Principles' for the purposes of the Conditional Guarantee between the Trustee and the Guarantor in relation to the Scheme. In accordance with the terms of the Conditional Guarantee this Statement has been discussed and agreed with the Guarantor in order that it be considered the Statement for this purpose.

While this Statement can be revised or replaced following consultation with the sponsoring employer, in order for any revised or replacement statement to become the Statement of Investment Principles for the purposes of the Conditional Guarantee, it must also be agreed by the Guarantor.

In addition, the Trustee also consulted with Aga Rangemaster Group Limited (which has been nominated by all the Scheme's participating employers in accordance with Regulation 3 of the Occupational Pension Schemes (Investment) Regulations 2005) when setting this strategy.

The purpose of the SIP is to set out the Trustee's investment strategy at a high level, including the investment objectives, investment strategy and other investment policies the Trustee has adopted.

The Trustee must review the SIP in consultation with the Guarantor and the sponsoring employer at least every three years; and without delay after any significant change in investment policy. The Trustee last reviewed this SIP in November 2024 following a material change to the investment strategy.

2. Scheme governance

The Trustee is responsible for the governance of the Scheme's assets and the investment of these assets in the best interests of members and beneficiaries. The Trustee exercises its powers of investment in accordance with the Trust Deed and Rules of the Scheme and applicable law. Where the Trustee is required to make an investment decision, the Trustee will normally receive advice from its relevant advisers first. It believes that this ensures that it is appropriately familiar with the issues concerned.

The Trustee has delegated day-to-day investment of the Scheme's assets to be undertaken through the fiduciary management service of Schroders IS Limited (**'Schroders Solutions'**), hereafter referred to as the **"Fiduciary Manager"**. The Trustee is satisfied that the Fiduciary Manager has the appropriate knowledge and experience for managing the investments of the Scheme and it carries out its role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the **"Investment Regulations"**), the principles contained in this SIP and any applicable investment guidelines and restrictions agreed with the Trustee. Additionally, the Trustee obtains fiduciary management oversight services, and investment advice where appropriate, from XPS Pensions Consulting Limited.

The Trustee acknowledges the potential for conflicts of interest as part of ongoing fiduciary management business activities. As an FCA regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where third party managers of assets the Scheme invests in (the **"Underlying Managers"**) are also regulated, they may be required to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Fiduciary Manager monitors these conflicts as part of its regulatory filings (where applicable), and as part of its ongoing review. The Fiduciary Manager's Conflict of Interest policy is available to be shared with the Trustee when required.

The Trustee considers that the governance structure is appropriate for the Scheme as it delegates the day-to-day aspects of investment strategy implementation to the Fiduciary Manager.

3. Investment objectives and strategy

The primary objective of the Trustee of the Scheme with regard to investment policy is to invest the assets of the Scheme prudently to ensure that the benefits promised to the Scheme's members are provided as they fall due. Hence, the Trustee has defined the investment strategy with due regard to the Scheme's liabilities.

The Trustee has set the following investment strategy:

- 1) The acquisition of suitable growth assets, matching assets and cashflow-driven investments, having due regard to the risks set out in this SIP, which will generate income and capital growth, together with any contributions from members or the Scheme's participating employers, to pay the benefits which the Scheme provides as they fall due.
- 2) To limit the risk of the assets failing to meet the Scheme's liabilities over the long term having regard to any statutory funding requirement.
- 3) To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions about investment return over the long term.
- 4) To implement a strategy which is consistent with supporting the SFP and any Conditional Guarantee in place between the Trustee and the Guarantor.

Growth assets comprise a diversified range of investments including (but not limited to) developed and emerging market equities, corporate bonds and alternative assets, which are held with the aim of outperforming the Scheme's liabilities over the medium term.

Matching assets comprise investments including (but not limited to) UK government bond and derivative exposures, which are held with the aim of matching the interest rate and inflation sensitivities of the Scheme's expected liabilities.

Cashflow-driven investments comprise a portfolio of high-quality credit assets which are expected to deliver contractual cashflows to facilitate the payment of the Scheme's cash obligations as they fall due.

The Trustee has determined that the investment strategy will be set to support the discount rate and allowance for anticipated investment returns in the Scheme Actuary's Technical Provisions calculations and, if applicable, any Recovery Plan as set out in the then current SFP. Under its terms, the Conditional Guarantee will cease to apply if the Trustee does not follow this requirement, and accordingly at each actuarial valuation the Trustee considers the ongoing value to the Scheme of the Conditional Guarantee. Provided this requirement is met, the Trustee may select the asset allocation in a manner it sees as consistent with the primary investment objective.

The assets currently held through the common investment fund known as the AGA Rangemaster Commingled Fund will, as and when thought to be appropriate at the discretion of the Fiduciary Manager, be sold down or transferred to the Scheme in due course.

Fiduciary Manager's investment objectives in respect of the total portfolio of the combined assets of the Scheme and the AGA Rangemaster Commingled Fund:

Total portfolio performance target	Liability Benchmark Portfolio ("LBP") Return + 1.5% p.a. over rolling three-year periods.
Targeted minimum cashflow coverage over rolling five-year periods	80%, taking into consideration cash holdings and expected income from assets held in the total portfolio

Liability hedging sub-portfolio investment strategy:

Liabilities to be hedged ("LTBH")	Technical Provisions	
	Interest rates	Inflation expectations
Target liability amount ("TLA")	100% of LTBH	100% of LTBH
Permitted TLA range	95%-105% of LTBH	95%-105% of LTBH

The LBP return is defined as a measure of the change in the present value of the Scheme's liabilities due to changes in interest rate and inflation expectations only and excluding any discount rate spread/premium that may otherwise be applied.

Strategic asset allocations as proportion of total portfolio:	Minimum (%)	Maximum (%)
Growth sub-portfolio	5	17.5
Equity sub-portfolio	0	10
Liability hedging sub-portfolio	20	45
Cashflow-driven investment sub-portfolio	20	50

Sub-portfolio investment objectives:

Growth sub-portfolio	To invest in a diversified portfolio of assets which aims to deliver a return of cash +4% p.a. over rolling three-year periods
Equity sub-portfolio	To provide exposure to equity markets via physical or synthetic investment instruments
Liability hedging sub-portfolio	To reduce the interest rate and inflation risk inherent in the liabilities, with target hedge ratios of 100% of the Technical Provisions liabilities
Cashflow driven investment sub-portfolio	To deliver income through exposure to a range of debt securities and other instruments yielding contractual returns with a yield in excess of government bonds, including Buy & Maintain Credit, Securitised Credit, other debt securities and/or Collective Investment Schemes

4. Arrangements with the Fiduciary Manager

The Trustee has appointed the Fiduciary Manager to implement the Scheme's investment strategy. The Fiduciary Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers. The Fiduciary Manager is appointed to carry out its role on an ongoing basis, with this appointment kept under review at least once every three years.

The Trustee and Fiduciary Manager have agreed a Fiduciary Management Agreement setting out the scope of the Fiduciary Manager's activities, performance objectives, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee periodically reviews the overall value-for-money of using the Fiduciary Manager, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Fiduciary Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve performance.

5. Arrangements with the Underlying Managers

The Investment Regulations require the Trustee to disclose its policies in relation to its arrangements with its Underlying Managers who are appointed by the Fiduciary Manager.

The Trustee incentivises its Underlying Managers via the Fiduciary Manager to align their investment strategies with the Trustee's mentioned in the SIP. However, some of the Scheme's investments are made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, may not be aligned with the Trustee's investment policies.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The Fiduciary Manager regularly reviews the Underlying Managers on behalf of the Trustee in order to incentivise the Underlying Managers. These reviews include evaluation of the investment performance, remunerations and turnover cost of the investment funds in comparison to their peers.

The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Fiduciary Manager.

6. Monitoring

The Trustee will monitor the performance of the Fiduciary Manager against the agreed performance objectives.

The Trustee, or any other suitably qualified adviser on behalf of the Trustee, regularly reviews the activities of the Fiduciary Manager to satisfy itself that the Fiduciary Manager continues to carry out its work competently, exercises its powers of investment with a view to giving effect to the principles in this SIP and has the appropriate knowledge and experience to manage the assets of the Scheme.

If the Trustee is not satisfied that the Fiduciary Manager is aligned with its policies, it will consider making changes to the Fiduciary Manager's mandate as necessary.

7. Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has delegated responsibility to the Fiduciary Manager to implement these instruments. Derivative instruments are typically used for risk management purposes in the portfolio.

8. Realisation of investments

The majority of assets the Scheme holds can be realised easily when required. The Trustee will ensure that the Fiduciary Manager is made aware of the cashflow requirements of the Scheme. The Fiduciary Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Trustee to meet these cashflows, and will primarily address this using a portfolio of contractual assets which yield income and known cashflows when held to maturity.

9. Risk management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee will keep these risks and how they are measured and managed under regular review. The main risks include, but are not limited to:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
 - A LBP is used as a proxy for the liabilities in order to measure the approximate changes in the present value of the Scheme's liabilities (due to changes to the relevant gilt yields only). The Trustee monitors this change relative to the change in asset values on a quarterly basis. The LBP is reviewed following each actuarial review, or when significant market events (e.g. a significant change in inflation expectations) or Scheme events occur.

- The Trustee recognises the risk of a negative impact on the funding level due to changes in the Scheme Actuary's assumptions. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
- When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LBP and can therefore also be assessed as part of the quarterly review process.
- This risk is also monitored through regular actuarial and investment reviews including monthly portfolio updates.
- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
 - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
 - The use of instruments and strategies designed to control the extent of downside exposure.
 - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
 - Regular monitoring of the managers' performance, processes, and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the Fiduciary Manager.
- **Cashflow risk** – the risk that the Scheme is unable to meet benefit payments as they fall due, addressed through the monitoring of the cashflow requirement of the Scheme to control the timing of any investment/disinvestment of assets.
 - The Trustee has also put in place a bespoke segregated Buy & Maintain Credit portfolio which is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **Environmental, social and governance ('ESG') risk including climate risk** – the risk of adverse performance due to ESG-related factors (including, but not limited to, climate change). The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments. The Trustee is supportive of the Paris Agreement and will aim to achieve a carbon neutral portfolio (net zero) by 2050 or sooner, subject to this being consistent with achieving the Scheme's wider financial objectives. This risk is addressed by the following:
 - Climate change scenarios being considered as part of the Trustee's regular review of investment strategy from time to time (if applicable).
 - The Fiduciary Manager's ESG assessment at the point of investment with Underlying Managers.
 - The Trustee monitoring the overall ESG characteristics including carbon metrics of the portfolio in the quarterly governance report.

- **Sponsor risk** – the risk of the sponsoring employer and the Guarantor becoming unable to support the Scheme which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the sponsoring employer and the Guarantor.

10. Financially material investment considerations

Financial material considerations include (but are not limited to) ESG considerations (including, but not limited to, climate change), which the Trustee considers to be financially material.

The Trustee believes that certain ESG factors can have an impact on financial performance and part of its fiduciary duty is to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the length of time needed for the funding of benefits payable by the Scheme. The Trustee considers a wide range of ESG risks, including, for example, corporate governance, human rights, labour and environmental standards, and it believes that climate risk presents a material financial risk to the assets invested in its portfolio.

The Trustee currently does not have a standalone ESG policy but the Trustee's policy is to delegate the monitoring and overall management of financially material ESG risks and opportunities to the Fiduciary Manager.

The Trustee receives regular training and updates on ESG-related topics such as portfolio ESG reporting, voting and engagement examples on a quarterly basis through Trustee meetings. In addition, on an annual basis, the Trustee reviews the ongoing suitability of the Fiduciary Manager's monitoring and management of ESG- and climate-related issues via an ESG annual report and challenges or engages with the Fiduciary Manager as required on its approach.

The Trustee delegates the integration of climate-related risks into the investment process to the Fiduciary Manager. The Fiduciary Manager provides regular updates for the Trustee:

- to understand the exposure of its investments to climate change in the quarterly monitoring report, and
- to ensure that new and existing investments take account of climate change risks and opportunities.

The Trustee expects its Fiduciary Manager to take its policy into account as part of manager selection.

11. Non-financially material investment considerations

The Trustee does not at present take into account non-financial matters¹ (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions.

¹ As defined in The Occupational Pension Schemes (Investment) Regulations 2005 (definition inserted by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018).

12.Stewardship

The Trustee recognises the importance of its role as a steward of capital and the need for high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Fiduciary Manager has its own voting and engagement policies documented in its Engagement Blueprint which sets out six sustainability themes to prioritise and which guides the voting and engagement behaviours of the Fiduciary Manager. Therefore, to ensure focused voting and engagement with the Underlying Managers, the Trustee has chosen to align its stewardship priorities with those of the Fiduciary Manager: Climate Change, Natural Capital & Biodiversity and Human Rights. The Trustee expects the Fiduciary Manager to take these policy and stewardship priorities into account as part of its own stewardship activities and manager selection.

On behalf of the Trustee, the Fiduciary Manager regularly reviews the suitability of the Scheme's appointed Underlying Managers. The review includes considerations of broader stewardship matters and the exercise of voting rights by the appointed Underlying Managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Fiduciary Manager will engage with it (via different media such as e-mails, telephone calls or meetings), and seek a more sustainable position, but may look to replace the manager.

The Trustee has delegated to its Fiduciary Manager and Underlying Managers the exercise of rights attaching to investments, including voting rights, and requested them to engage with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the Fiduciary Manager and Underlying Managers to exercise ownership rights and undertake monitoring and engagement in line with their respective general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

The Trustee expects the Scheme's Fiduciary Manager and Underlying Managers:

- where appropriate, to engage with investee companies with the aim to protect and enhance the value of assets, and
- to exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee reviews the stewardship activities of its Fiduciary Manager and Underlying Managers on a regular basis, covering both engagement and voting actions, and will challenge the Fiduciary Manager in relation to voting and engagement activities carried out on behalf of the Trustee if necessary.

13. Additional Voluntary Contributions (AVCs)

Under the Scheme's Trust Deed and Rules, members have been allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. The Trustee has selected a range of investment funds with Utmost Life and Pensions Limited and Clerical Medical Investment Group Limited for the AVCs to be invested in.

The Trustee reviews these arrangements regularly considering their performance, the objectives and the views of its advisers.

Signed: **R P Higgins**

Position: **Chairman**

Date: **12 December 2024**

For and on behalf of the Trustee of the AGA Rangemaster Group Pension Scheme