AGA Rangemaster Group Pension Scheme (the "Scheme")

Statement of Investment Principles

Investment objective *– The Trustee of the Scheme aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.*

This Statement of Investment Principles ("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 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 the 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. 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 Trustee of the AGA Rangemaster Commingled Fund.

The Trustee has established a Sub-Committee to which the Trustee has delegated certain of its functions and powers, and certain of the functions and powers of, and with the authority of the Trustee of the AGA Rangemaster Commingled Fund. The Investment Sub-Committee is formed of the Trustee directors, and operates under terms of reference set, from time to time, by the Trustee.

This Statement of Investment Principles supersedes the Statement of Investment Principles dated 30 September 2019 . This Statement also reflects that Middleby Marshall Inc 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, 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 2019 in that it should be considered to represent the 'Statement of Investment Principles' for the purposes of the Conditional Guarantee between the Trustee and Middleby Marshall Inc in relation to the Scheme. In accordance with the terms of the Conditional Guarantee this Statement has been discussed and agreed with Middleby Marshall Inc 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 Middleby Marshall Inc.

Strategy

The Trustee will set, implement, maintain and monitor an investment strategy which is consistent with supporting the SFP. As at the date of signing this statement this is expected to result in a strategic allocation of at least 60% of the assets to assets with a central expectation that the returns on the assets will be above risk free rates measured by gilt returns ("Growth Assets"). If the Trustee makes a change to the strategic allocation such that the strategic allocation to Growth Assets is less than 60% then this will be a change which falls under the requirements of the Conditional Guarantee to obtain the agreement of AGA Rangemaster Group Limited (formerly known as AGA Rangemaster Group plc) and Middleby Marshall Inc irrespective of whether it can be accommodated under the SFP. If any such change is agreed to then the SIP will be amended to refer to the new strategic allocation to Growth Assets and this clause will remain in the SIP with that updated reference.

In setting investment strategy, the Trustee will consider investing in a range of diversifying return-seeking asset classes including UK equities, global equities, absolute return funds, active currency, diversified growth funds and property. Similarly, the Trustee will consider investing in a range of risk-reducing protection assets (i.e. a portfolio of assets held for the purpose of managing the Scheme's exposures to interest rate and inflation risks to the extent considered by the Trustee to be practicable and appropriate).

The investment strategy has been determined by the Trustee with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The overall expected margin of asset performance is considered by the Trustee to be sufficient to support the actuarial assumptions for funding the Scheme. The Trustee assumes that return-seeking assets will outperform gilts over the long term through both capital growth and income and that active fund management will add value. The Trustee recognises the potential volatility in the returns of the return-seeking assets, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set. The Trustee also recognises that the risk-reducing protection assets are expected to perform in line with the Scheme's liabilities plus an additional premium for holding corporate bonds.

In determining the Scheme's investment strategy, the Trustee considered written advice from its Investment Advisor and, in doing so, addressed the following:

- The need to consider a full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification.

In normal circumstances, in setting and implementing the Scheme's investment strategy the Trustee does not take into account the views of Scheme members and beneficiaries including (but not limited to) their views in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial matters"[1]).

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

The Trustee has agreed that:

- Up to the actuarial valuation with an effective date as at 31 December 2023, the investment strategy will be set in order to maintain an expected outperformance over gilts consistent with that under the asset allocation of the Scheme at 31 March 2015 (with “gilts” in this context meaning the gilt yield used as a reference point for setting the discount rate at actuarial valuations). The asset allocation at 31 March 2015 is summarised in the Appendix. Based on advice from its Investment Advisor, the best estimate return under the asset allocation at 31 March 2015 is 2.9% above gilts
- Thereafter the investment strategy will be set to support the discount rate and allowance for anticipated investment returns in the Technical Provision calculations and Recovery Plans as set out in the then current Statement of Funding Principles.

Under its terms, the Conditional Guarantee will cease to apply if the Trustee does not follow the requirements as set out above. Provided the requirements above are met, the Trustee may select the asset allocation in a manner it sees as consistent with the investment objective.

Risk

The Trustee maintains a Statement of Funding Principles which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme’s liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provision for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisors considered this mismatching risk when setting the Scheme’s investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and its advisors will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- Failure by the fund managers to achieve the investment return assumed by the Trustee (“manager risk”) for the mandates for which they have been appointed. This risk is considered by the Trustee and its advisors both upon the initial appointment of the fund managers and on an ongoing basis thereafter.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

- The failure to spread investment risk (“lack of diversification risk”). The Trustee and its advisors considered this risk when setting the Scheme’s investment strategy.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee recognises that the market capitalisation of the sponsoring employer is small in relation to the size of the Scheme, and has taken independent specialist advice on the strength of the sponsor’s covenant. This has been taken into account in setting the funding and investment objective for the Scheme, and thus is reflected in the Scheme’s investment strategy. The Trustee has consulted the sponsoring employer on the Scheme’s funding and investment principles.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisors and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. All contracts with managers are reviewed by both the Scheme's Investment Advisor and its Legal Advisor prior to being signed.
- The risk that environmental, social and governance factors including (but not limited to) climate change negatively impact the value of investments held if not understood and evaluated properly.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled during the course of such reviews.

Having set an investment objective which relates directly to the Scheme’s liabilities and implemented it using a range of fund managers, the Trustee’s policy is to monitor, where possible, these risk periodically. The Trustee receives at least quarterly reports showing:

- Estimated funding level versus the Scheme specific funding objective.
- Analysis of the Scheme’s estimated funding level change relative to the Liability Driven Investment (LDI) hedging policy in place.
- Performance versus the Scheme’s overall benchmark as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

Implementation

Aon Solutions UK Limited (“Aon”) has been selected as Investment Advisor to the Trustee and Investment Sub-Committee. It has the knowledge and experience required under the Pensions Act 1995. Aon operates under an agreement to provide a service which ensures the Trustee and Investment Sub-Committee are fully briefed to take decisions themselves and monitor those they delegate. Aon is paid an agreed annual fee which includes all services needed on a regular basis. Fees for one-off projects that fall outside the annual fee are negotiated separately. This structure has been chosen to ensure that cost effective, independent advice is received.

The Investment Sub-Committee has delegated all day-to-day decisions about the investments that fall within each mandate, including (but not limited to) the realisation of investments, to the relevant fund manager through a written contract.

As part of their delegated responsibilities, the Trustee expects the Scheme’s fund managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets. In the case of direct property investments, this also involves acting to protect and enhance the value of and ability to lease the property; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

When choosing investments, the Investment Sub-Committee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pensions Schemes (Investment) Regulations 2005 (Regulation 4), as summarised below:

- Assets must be invested in the best interests of members and beneficiaries of the Scheme;
- Investments must be exercised in a manner calculated to ensure the security, quality, liquidity and profitability of the Scheme's portfolio as a whole;
- Assets held to cover the Scheme's technical provisions must be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme;
- The assets of the Scheme should consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must be kept to a prudent level;
- The assets of the Scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole;
- Investment in derivative instruments may be made only in so far as they contribute to a reduction of risks or facilitate efficient portfolio management, and any such investment must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

In addition to these points, the Trustee and the Investment Sub-Committee take account of the expected volatility of, and the expected return from, all of the Scheme's investments.

The Trustee and the Investment Sub-Committee expect each of the fund managers to manage their portfolio of assets in accordance with the terms of the particular contract on which the management of the portfolio assets has been delegated to them, and to give effect to the principles in this Statement so far as is reasonably practicable.

The Trustee's policy is that decisions as to the extent to which social, environmental and governance considerations are taken into account and the exercise of voting rights should be delegated to the fund managers to be exercised in the best interests of the Scheme.

Stewardship - Voting and Engagement

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 Investment Sub-Committee regularly reviews the suitability of the Scheme's appointed managers of fund assets and takes advice from the Investment Advisor with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement 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 investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

Governance

The Trustee has responsibility for approving asset classes and types of investment in which the Scheme may invest. The Trustee has delegated, to the Investment Sub-Committee, the role of implementing and monitoring the asset allocation strategy and considering whether it continues to meet the objectives of the Trustee.

The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

<u>Trustee</u>

- Set the investment objectives
- Determine the high-level asset allocation
- Approve asset classes and types of investment
- Set limits on the amounts invested in any asset class
- Monitor the progress of the overall funding level
- Review the performance of the Investment Sub-Committee in discharging the delegated powers with which it has been provided
- Agree the Statement of Investment Principles and amendments thereto
- Monitor the sponsoring employer's covenant
- Select investment advisors

<u>Investment Sub-Committee</u>

- Implement the investment strategy through the determination from time to time of the proportion of assets to be allocated to each type of return-seeking and risk-reducing protection asset classes and through the selection of fund managers and mandates
- Monitor the performance of assets and fund managers, and the appropriateness of the fund managers and mandates selected
- Determine the extent to which direct investments are utilised, and select, review and monitor direct investment
- Monitor the high-level asset allocation strategy
- Make ongoing decisions relevant to the operation of the Scheme's investment strategy
- Recommend changes to the investment objectives
- Determine cash management and custody arrangements

Investment Advisor

- Advise on all aspects of the investment of the Scheme's assets, including (but not limited to) implementation
- Advise on this Statement of Investment Principles
- Provide required training for the Trustee and the Investment Sub-Committee

Fund managers

- Operate within the terms of their contracts
- Select individual investments with regard to their suitability and diversification
- Manage the realisation of individual investments including the selling of investments to pay Scheme benefits and as part of their management of portfolio assets
- Advise the Trustee on suitability of the indices in their benchmarks
- Are appointed on terms consistent with this statement. This statement does not set out all the details described in Regulation 2(3)(d) of the Occupational Pension Schemes (Investment) Regulations 2005, as they either are not relevant or are felt to create unnecessary restriction.

The Trustee has appointed JPMorgan Chase Bank, National Association as the Scheme's global custodian. The custodian provides safekeeping for the Scheme's segregated assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

Arrangements with managers of fund assets

The Investment Sub-Committee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Investment Sub-Committee is supported in this monitoring activity by its Investment Advisor.

The Trustee receives regular reports and verbal updates from the Investment Advisor on various items including the investment strategy, performance, and longer-term positioning of the asset managers' portfolios.

The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the asset managers over a variety of periods emphasising longer term performance i.e. 3 and 5 year where possible.

The Trustee and Investment Advisor reviews annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Investment Sub-Committee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Investment Sub-Committee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Investment Sub-Committee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Investment Sub-Committee will typically first engage with the manager but could consider replacing the asset manager if this was deemed necessary.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), regular monitoring of asset managers' performance and investment strategy, the fees paid to the asset managers and the possibility of their mandate being terminated, are in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically, and at least every three years. However, for certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

The Investment Sub-Committee will review this Statement of Investment Principles at least every three years and immediately following any significant change in investment policy. The Investment Sub-Committee will take investment advice and consult with the sponsoring employer over any changes to the Statement of Investment Principles.

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investment and take written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee obtains written advice and considers whether future decisions about those investments should be delegated to the fund managers.

The Trustee uses the factors set out in Regulation 4 of the Occupational Pension Schemes (Investment) Regulations 2005 when selecting direct investments. As summarised above in the section regarding Implementation, the Regulation requires all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries of the Scheme
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of the liabilities of the Scheme
- Tradability on regulated markets
- Diversification
- Use of derivatives only in particular circumstances.

In addition to these points, the Trustee and Investment Sub-Committee take account of the expected volatility of, and the expected return from, all of the Scheme's investments.

The Trustee and the Investment Sub-Committee expect each of the fund managers to manage their portfolio of assets in accordance with the terms of the particular contract on which the management of the portfolio assets has been delegated to them, and to give effect to the principles in this Statement so far as is reasonably practicable.

The Trustee's policy is that decisions as to the extent to which social, environmental and governance considerations are taken into account and the exercise of voting rights should be delegated to the fund managers to be exercised in the best interests of the Scheme.

Cost and transparency

The Trustee has engaged a third-party specialist to assist in collating data on the costs and charges incurred by the Scheme's segregated portfolios and investment funds, as described in more detail below.

These costs include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund.

The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund. The Trustee acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends.

The monitoring of the portfolio turnover costs against target (or expectation) is considered annually with the assistance of the Investment Advisor.

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its asset managers.

The Trustee believes that active investment managers can add value, net of fees. It is therefore, comfortable with the use of active funds.

Remuneration

Fund managers can be remunerated under a range of fee structures including a performance related fee basis and ad valorem basis. The level of remuneration paid to each fund manager is reviewed on a periodic basis by the Investment Sub-Committee against market rates to ensure the fund managers' interests are aligned with those of the Scheme.

For and on behalf of

ARG Pensions (1974) Limited

AJ Bagshawe

Director

Date: 30 September 2020

Appendix

Asset allocation as at 31 March 2015

Asset class	Allocation
Protection assets (Corporate bonds, Gilts, Index linked gilts and similar assets)	30.6%
Equities (UK and Global)	15.4%
Hedge Funds (including fund of funds)	17.4%
Diversified Growth Funds	11.6%
Absolute Return Bond Funds	5.7%
Multi Asset Credit	8.3%
Property	11.0%
Total	**100.0%**