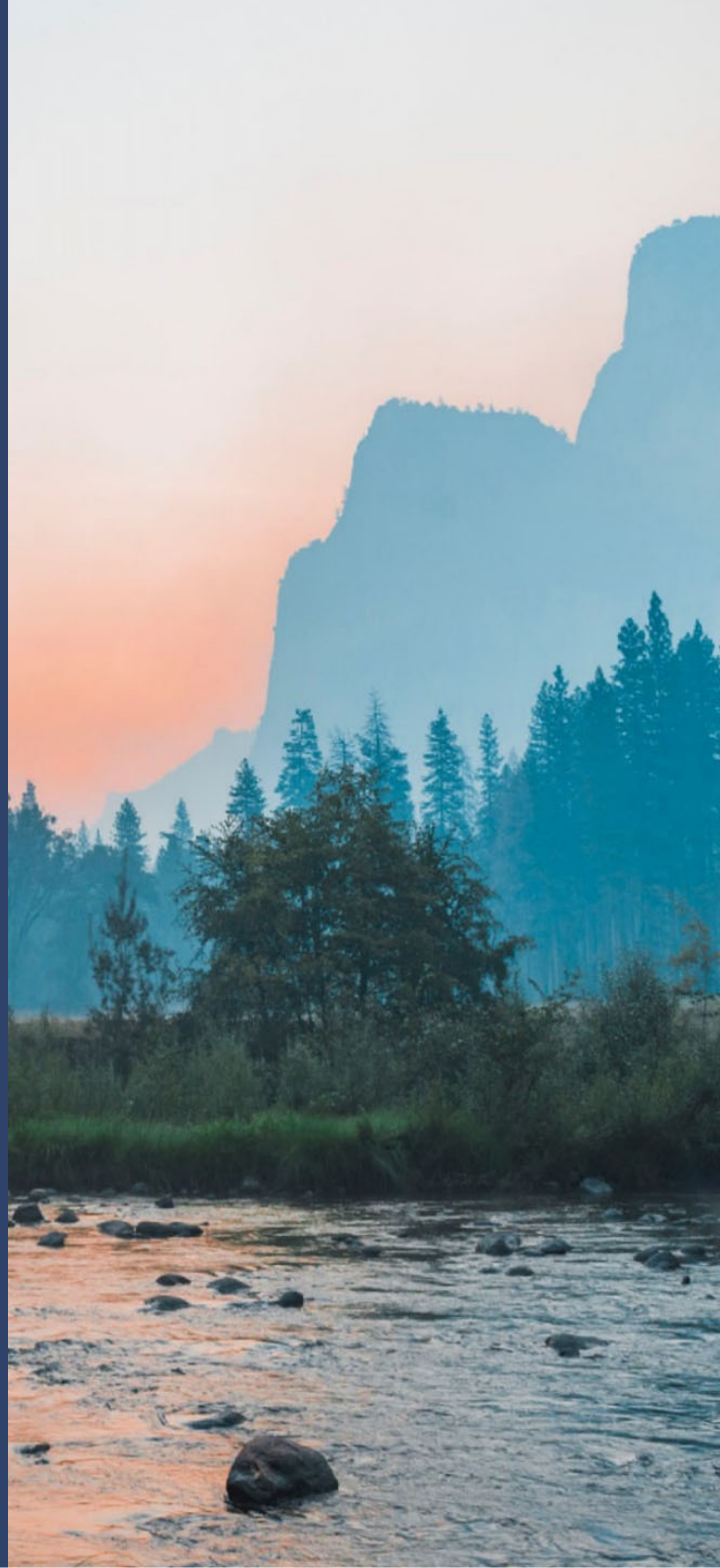
Addendum to the Statement of Investment Principles

For the Defined Benefit Section of the 2013 Next Group Pension Plan

Effective from: 07March 2024

This addendum to the Statement of Investment Principles ("SIP") for the 2013 Next Group Pension Plan (the "Plan") has been produced by the Trustee ("we" or "our") of the Plan. It sets out a description of various matters which are not required to be included in the SIP, but which we believe provide useful further background to the Plan's investment arrangements.



Part 1:
Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Plan. This division is based on our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Plan's investments overall. Our investment powers are set out in the Plan's governing documentation.

1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the Company;
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring, reviewing, and replacing investment managers, investment advisers, actuary, and other service providers;
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- reviewing the SIP and modifying it as necessary.

We have delegated consideration of certain investment matters to an investment committee ("IC"), although any decisions remain our responsibility. The terms of reference for the IC detail its responsibilities.

2. Bulk annuity providers

The Plan will remain ultimately responsible for ensuring pension benefits are paid. The bulk annuity providers' responsibility is to pay the pensions secured under the bulk annuity contract accurately and on a timely basis.

3. Investment managers

The investment manager's responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- providing regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Plan or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

The DB Section investment adviser's responsibilities include:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested;
- advising on the selection and review of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and

- assisting us with reviews of this SIP.

5. Fee structures

The provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets. Our investment manager is paid with reference to the value of assets managed by the manager in each mandate. We have agreed terms with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Plan, and we keep the fee structures under review.

6. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to monitor the Plan's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the Company

When reviewing matters regarding the Plan's investment arrangements, such as the SIP, we seek to give due consideration to the Company's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the Company, we believe that better outcomes will generally be achieved if we work with the Company collaboratively.

Part 2:
Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the Company covenant and how this may change over time;
- the agreed journey plan and Company contributions;
- the Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves. In practice, only a negligible amount of investment risk is retained in the Plan following the purchase of the bulk annuity policies described in this SIP.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

A key objective is that the Plan's assets from the buy-in policies provide the appropriate cashflows for the members benefits. The risk of insufficient returns has been considered in formulating the investment strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg government bonds due to low yields), could adversely affect the Plan's assets materially. We believe that the two insurance providers adequately diversify risks. This was a key consideration when determining the Plan's investment arrangements.

Interest rate and inflation risk

The Plan's buy-in policies are subject to interest rate and inflation risk because interest rate and inflation fluctuations can impact the policy's value. However, the income stream of the policy is designed to be aligned with the liability cashflows and we believe that it is appropriate to manage exposures to these risks in this manner.

Counterparty risk

There is a risk of default by the insurance companies providing the buy-in policies. However, this risk is mitigated as the assets held within the policies are distinctly separate from the insurers' general assets and earmarked specifically to cover the pension liabilities of the Plan.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint providers who will manage this risk appropriately, and from time to time we review how this risk is being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately, and from time to time we review how these risks are being managed in practice.

Liquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due, or that the Plan will become a forced seller of assets in order to meet benefit payments or expenses. We are aware of the Plan's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity by holding a small proportion of the he Plan's investments in a liquidity fund.

Longevity risk

While the buy-in policy covers pensioners' benefits, the risk that members live, on average, longer than expected remains and therefore ongoing benefit payments may be higher. The design of the buy-in policies account for increasing life expectancies and therefore this risk has been mitigated.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Plan. We take these into consideration as far as practical in setting the investment arrangements.

Part 3:
Investment manager arrangements

Details of the investment managers are set out below

Legal & General – Sterling Liquidity Fund and gilts

The Plan holds part of the non-insured invested assets in the L&G Sterling Liquidity Fund and part in fixed and index-linked gilts funds. The assets in the fixed and index-linked gilts funds are held with an aim to match the potential additional liabilities that may be secured with the buy-in provider PIC.

The L&G Sterling Liquidity Fund is a pooled fund invested in very high quality, liquid money market instruments and deposits to achieve a short term cash return in line with money market rates.

Legal & General is responsible for custody of the assets of the fund. Responsibility is delegated to HSBC for the corporate bond and gilt funds and to Citibank for the global equity funds. The Trustee does not have a direct relationship with the custodians.

The Trustee has entered into an insurance policy with Legal & General Assurance (Pensions Management) Limited to manage the Plan's assets. Investment management of these assets is delegated to Legal & General Investment Management. The insurance policy sets out details of the terms under which the Plan's assets are managed.

Just Retirement Limited & Pensions Insurance Corporation –

Bulk annuity contracts

The Plan previously entered into a bulk annuity contract (also known as a buy-in) with Just Retirement Limited. The objective of the bulk annuity contract is to insure the benefit payments of a proportion of the Plan's pensioner liabilities.

In January 2024, the Plan entered into a second bulk annuity contract with PIC, which covers the remaining benefits payable to all the Plan's members. The objective of each policy is to match the Plan's benefit payments relating to those pensions covered by the terms of the policy.

The annuity policies are "buy-ins" and therefore remain assets of the Plan. Holding these policies reduces the Plan's exposure to interest rate, inflation and longevity risks thereby protecting the long-term financial security of members' benefits.