Statement of Investment Principles

For the 2013 Next Group Pension Plan

Effective from: 07 March 2024

1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee ("we" or "our") of the 2013 Next Group Pension Plan.

It sets out our policies on various matters governing investment decisions for the 2013 Next Group Pension Plan ("the Plan"), which is a Defined Benefit ("DB") scheme.

This SIP replaces the previous SIP dated 22 September 2023.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Plan and the principles contained in this SIP.

We have consulted with the Company in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy, and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Plan's investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective for the Plan is to ensure that the benefit payments can be met as they fall due. To help achieve its investment objective, the Plan previously entered into a bulk annuity contract (also known as a buy-in policy) with Just Group Plc, and a second bulk annuity contract in January 2024, with Pension Insurance Corporation ("PIC"). These bulk annuity contracts cover all of the Plan's current liabilities.

Our investment policy for the assets that remain after meeting the PIC buy-in premium (the non-insured assets) is to invest those assets with an aim to provide a close match to the potential additional liabilities that may be secured with PIC.

3. Investment strategy

Consistent with the investment objective of aiming for a close match to the Plan's potential additional liabilities, some of the Plan's assets non-insured assets are invested in fixed and index-linked gilts funds with Legal & General Investment Management ("L&G"). The remainder of the Plan's non-insured assets are held in the L&G Sterling Liquidity Fund and the Trustee bank account.

4. Considerations in setting the investment arrangements

When deciding how to invest the Plan's assets, it is our policy to consider a range of appropriate asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary way that have managed risk in respect meeting the Plan's liabilities is by entering into buy-in policies.

In setting the strategy for the Plan it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the Company covenant; and
- that both the overall level of investment risk and the balance of individual asset risks are appropriate.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is often better value;
- environmental, social and governance ("ESG") factors should be considered when making investment decisions, and investors may be able to improve risk-adjusted returns by taking account of ESG factors, since we believe that companies with strong ESG performance will deliver better returns in the medium to long term; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term.
- voting and engagement are important and can create long term value which is in the best interest of Plan members and therefore we encourage managers to improve their voting and engagement practices by communicating our stewardship priorities and expectations to them annually.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. Further details of how the Plan's non-insured assets are invested are set out in the separate SIP addendum.

We have signed agreements with the bulk annuity provider setting out the terms on which they will meet member benefits as they fall due.

We have limited influence on the bulk annuity providers' underlying investment practices, but we encourage them to improve their practices where appropriate.

We have limited influence over L&G's investment practices because all of the Plan's non-insured assets are held in pooled funds, alongside other pension scheme investors. However, we encourage L&G to improve its practices within the parameters of the funds it is managing.

Our view is that the fees we pay to L&G, and the possibility of the mandate being terminated, ensure it is incentivised to provide a high quality service that meets the stated objectives and guidelines of its funds. However, in practice L&G cannot fully align its strategy and decisions for the pooled funds to the (potentially conflicting) policies of all its pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment and to monitor, and consider terminating, any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on appropriate time-frames for each mandate, and to engage with issuers of debt or equity to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. The duration of a manager's appointment will generally depend on strategic considerations and the outlook for future performance.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity and value for money.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

The buy-in policies are structured to meet the Plan's member pension payments as they fall due. Any additional expenses can be met from the assets held in the L&G Sterling Liquidity Fund and Trustee bank account, which are realisable at short notice.

7. Financially material considerations and non-financial matters

We considered how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Plan and its members.

We influence the Plan's approach to ESG and other financially material factors through our investment decisions. We expect L&G and the buy-in providers to take account of financially material factors (including climate change and other ESG factors) as appropriate. We seek to appoint managers that have the skills and processes to do this, and annually review how the managers are taking account of these issues in practice.

Whilst we note that we have limited influence over managers' investment practices where assets are held in pooled funds and buy-in contracts, we encourage L&G, and the buy-in providers to improve their practices within the parameters of the funds they manage.

We do not explicitly consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Plan's only investments are buy-in polices, gilts funds and a cash fund. Therefore, there are no voting rights.