

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

Introduction

This Statement sets out the information that the Trustees are required to provide by law – namely demonstrating how the DC Section meets the relevant governance standards. This covers the period from 1 July 2019 to 30 June 2020.

In 2020, the COVID-19 pandemic has affected all of our lives. The Trustees want to wish all of our members well and to reassure you that the operations of the DC Section have continued throughout the period covered by this report and thereafter. At times this has been challenging, as operations carried out including those of our Administrator (XPS Administration) have had to change. This has caused a little disruption. For example, response times to member queries have been a little slower than has historically been the case. However, the Trustees have continued to monitor this and are comfortable that the operations continue at an acceptable level and that members have received the support they need when they need it. In March 2020 there was a small delay in receiving contributions to the DC Section from the employer (this was swiftly resolved), but since then all have been received within the required deadlines and invested within a reasonable period. Should you need any assistance with your benefits please contact XPS Administration and they would be happy to help.

The "default arrangement"

The investment of pension fund assets is often a long-term exercise. The common aim is to have long-term growth which is higher than inflation for most of the time up to retirement. However, the investments most likely to give good long-term returns tend to change in value, sometimes by quite large amounts, and sometimes over quite short periods of time.

To try to reduce the effect of short-term changes in value on the amount of the pension and cash that a member can take using their DC fund at retirement, the Trustees have established a default arrangement for any members who do not choose to invest their DC fund in a different way.

Over the longer term, funds containing a large proportion of company shares (equities) have often outperformed other types of investment. At the same time, lower expected risk can be achieved by having a spread of investments held in different geographic regions. For this reason the fund used for the default arrangement's 'Growth Phase' which is the period at least 10 years from their chosen retirement date, is the Global Equity (60:40) Index Fund. This is a fund which invests in shares of UK and overseas companies.

Under the default arrangement a member's DC fund is gradually moved over the last 10 years before their chosen retirement date (or the Normal Retirement Date if they have chosen no alternative) into investments which should help to protect the amount of cash and pension the member can buy at retirement. This is achieved by gradually switching investments, with the aim of being 75% invested in the Over 5 Years Index-Linked Gilts Index Fund and 25% invested in the Cash Fund at retirement. The default arrangement does not aim to give the highest investment return; it aims to provide some protection to the level of cash and pension (via annuity purchase) on retirement from investment falls or crashes.

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

Reviewing the default investment arrangement

A copy of the default arrangement's latest Statement of Investment Principles, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 is appended to this Statement, and is dated September 2020.

Formal investment strategy review

The Trustees are required to review the default strategy and performance of the default investment arrangements at least every three years, or immediately following any significant change in investment policy or in the Plan's member profile. There were no significant changes in investment policy during the period, with the last strategy review concluding on 23 June 2016.

The Trustees' commenced a review during the 2018/19 Plan year. This review was subsequently delayed whilst a strategic review of the pension arrangements was undertaken. The Trustees intend to conclude the investment strategy review during the 2020/21 Plan year or shortly thereafter. Any conclusions drawn from this review will be reported within the Chair's Statement for the relevant period. Should any changes be made to the strategy relevant to members, these will be communicated to members as required at that time.

Ongoing investment performance review

The Trustees receive quarterly information on the performance of the funds underlying the default arrangement and the additional investment options from the investment manager and this is reviewed formally at each Trustee meeting. During the year the Trustees have reviewed these reports and are comfortable that performance has been in-line with the benchmarks and strategy in place.

Assessing Core Financial Transactions

Core financial transactions include (but are not limited to): investment of contributions; transfers of assets relating to the members into and out of the Plan; transfers of assets relating to members between different investments within the Plan; and payments from the Plan to, or in respect of, members.

To help gain assurances that the administration is dealt with promptly and accurately, we monitored performance – in accordance with the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 – as follows:

- Reviewed quarterly administration reports which detail XPS Administration's performance against agreed service levels (SLA). A range of activities are reported against the SLA and a breakdown is stated in each administration report. These activities include (but are not limited to) DC fund switches, retirement quotes, member transfers and other general queries. SLAs vary depending on the activity, and any items completed outside of target are also reported. These administration reports also indicate how promptly transactions and member enquiries were dealt with;
- Reviewed the annual AAF 01/06 assurance report issued by XPS;
- Reviewed the Plan's complaints procedure to identify whether there may be any weaknesses in processes and controls. This was reviewed by the Trustees on 2 December 2019 and there were no process concerns to report. Any complaints (of which there were none in the period) are

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

generally addressed by XPS Administration and reported to the Trustees as part of 'business as usual' proceedings;

- Having the Plan's auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

A summary of the *core financial transactions* in the Statement year is as follows:

- Investment of contributions – XPS Administration monitor the payment of contributions to the Plan by the employer. Any late payment outside the required timescales is reported directly to the Trustees and appropriate action taken. The settlement of all DC funds is actioned promptly and the Trustees monitor the service standards of XPS Administration. The investment of contributions – including amount and timescales – are detailed in each Administration report.

During the period an instance arose whereby contributions of £5,622.44 had been underpaid by the employer in error. The Trustees credited the appropriate member accounts with the funds required using the Trustees' monies, and so no member was financially worse off due to this. The underpayment was reimbursed by the employer. At the Trustees meeting on 2 December 2019 it was agreed that this matter was not deemed reportable to the Pensions Regulator (TPR). There was a further instance whereby contributions for March 2020 were paid slightly later than expected, although this was rectified shortly thereafter. The Trustees have been provided assurances from the employer that appropriate internal controls have been implemented to eliminate such breaches in the future. The Trustees will continue to closely monitor the effectiveness of these controls, and no further breaches have occurred since.

- The transfer of assets relating to members into and out of the Plan – Transfers of assets are usually accomplished within the agreed timescales per the Administration SLA.
- The transfer of assets relating to members between different investments within the Plan – Transfers between investments are accomplished as quickly as possible and in line with agreed practice.
- Monitoring of bank accounts – There is a dedicated contribution processing team, checking investment and banking transactions, and no issues were reported in the period.
- Payments to members – All payments out of the Plan in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Plan rules and legislation and also complies with HMRC rules and guidance. No issues were reported in the period.

COVID-19 has caused several challenges to the effective management and operations of the Plan. The Trustees have actively engaged with XPS Administration, the employer and other relevant parties, to seek reassurance that they continue to operate and that core financial transactions have been managed to the expected standards. It has been the case that some service level standards have not been met in the period since March 2020. The Trustees have received regular updates from XPS Administration on its operations, and how services have been maintained. Although some of the service level statistics have been lower than has historically been the case, the Trustees are comfortable that members have continued to receive the essential services required and key operations (core financial transactions) have been maintained to a high standard. Further, aside from the issue considered at the December 2019 meeting and a short delay for

**DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) –
CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE 2020**

March 2020 contributions, these have been received from the employer within legal deadlines and invested within a reasonable time period.

Therefore, the Trustees are comfortable that core financial transactions were processed promptly and accurately within the Statement year (noting exceptions detailed under *Investment of Contributions* which have since been rectified).

Charges and transaction costs

The Ongoing Charges Figures (“OCFs”) met by members and applicable to the funds underlying the default arrangement and the other investment funds available for the period 1 July 2019 to 30 June 2020 were provided by Legal & General. Items with * are a part of the default investment strategy:

Legal & General Fund	OCF ¹ (p.a.)
Multi-Asset Fund	0.26%
Global Equity (60:40) Index Fund*	0.18%
UK Equity Index Fund	0.13%
Over 5 Years Index-Linked Gilts Index Fund*	0.10%
AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.15%
Cash Fund*	0.12%

¹ Ongoing Charges Figure (OCF) are the annual costs of a fund. This includes the manager’s fees for running the fund, along with other costs such as administration, marketing and regulation.

Transaction costs are variable costs associated with investment trading and are incurred when investment funds are bought and sold – either as part of the default arrangement as members move between funds, or as part of the ongoing smooth running of each fund. The former is an essential part of generating investment returns on behalf of scheme members and to manage risk so that a smoother journey is experienced throughout a member’s working life. The latter is an essential part of fund management.

The Transaction costs for the period 1 July 2019 to 30 June 2020 were provided by Legal & General. Items with * are a part of the default investment strategy:

Legal & General Fund	Transaction costs as % of funds traded
Multi-Asset Fund	0.05%
Global Equity (60:40) Index Fund*	0.00%
UK Equity Index Fund	0.00%**
Over 5 Years Index-Linked Gilts Index Fund*	0.13%
AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.00%**
Cash Fund*	0.00%

**The zero shown is due to the impact of an anti-dilution offset applied by the manager. This is an adjustment made by the manager so that the cost of buying and selling fund units is met by those transacting. Where the anti-dilution offset meets or outweighs the other sources of transaction costs resulting in a gain, this has been reported as a zero (i.e. no gain) as transactions typically result in a cost, rather than a gain.

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

These transactions apply to the DC Section and the Defined Benefit Additional Voluntary Contributions (see below) combined.

Illustration of charges levied on active members in the default arrangement

Below you can find an illustration of the effect of the charges met by active members on an example pension pot over time. This is for illustration only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- The Default investment arrangement.
- An initial pension pot of £35,000.
- Member is currently 30 years from Normal Retirement Date.
- Contributions of 10% (employee contributions of 5% + employer's matching contributions of 5%) throughout the period (based on pensionable earnings of £30,000 p.a. at the start)
- No salary increases (above inflation) throughout the period.
- Net (after charges, before inflation) returns estimated as 4.72% p.a. for the Global Equity (60:40) Fund (in which all monies are invested until 10 years from Normal Retirement Date) and is moved by a differing percentage each year into the L&G Over 5 Year Index Linked Gilt Fund (-0.43% p.a.) and L&G Cash Fund (-0.22% p.a.).
- Inflation of 2.5% p.a.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

**DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) –
CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020**

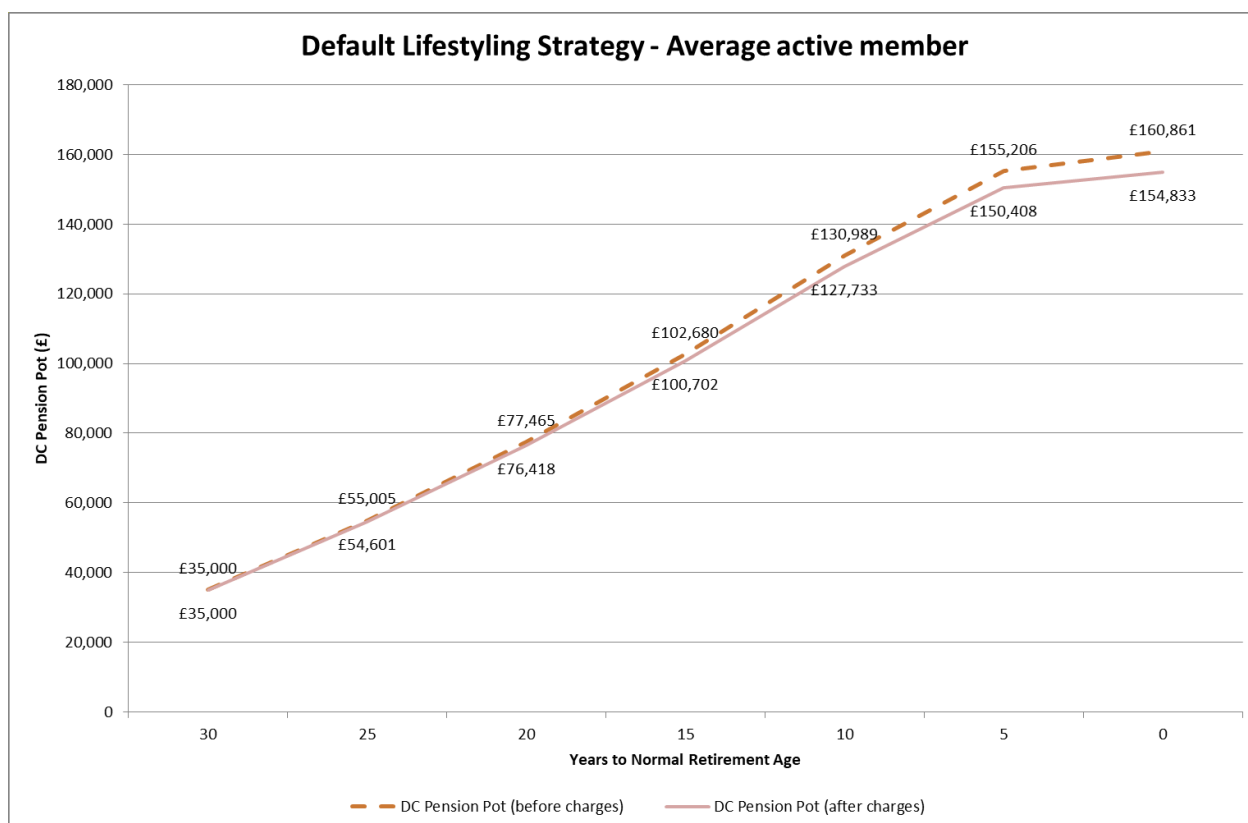
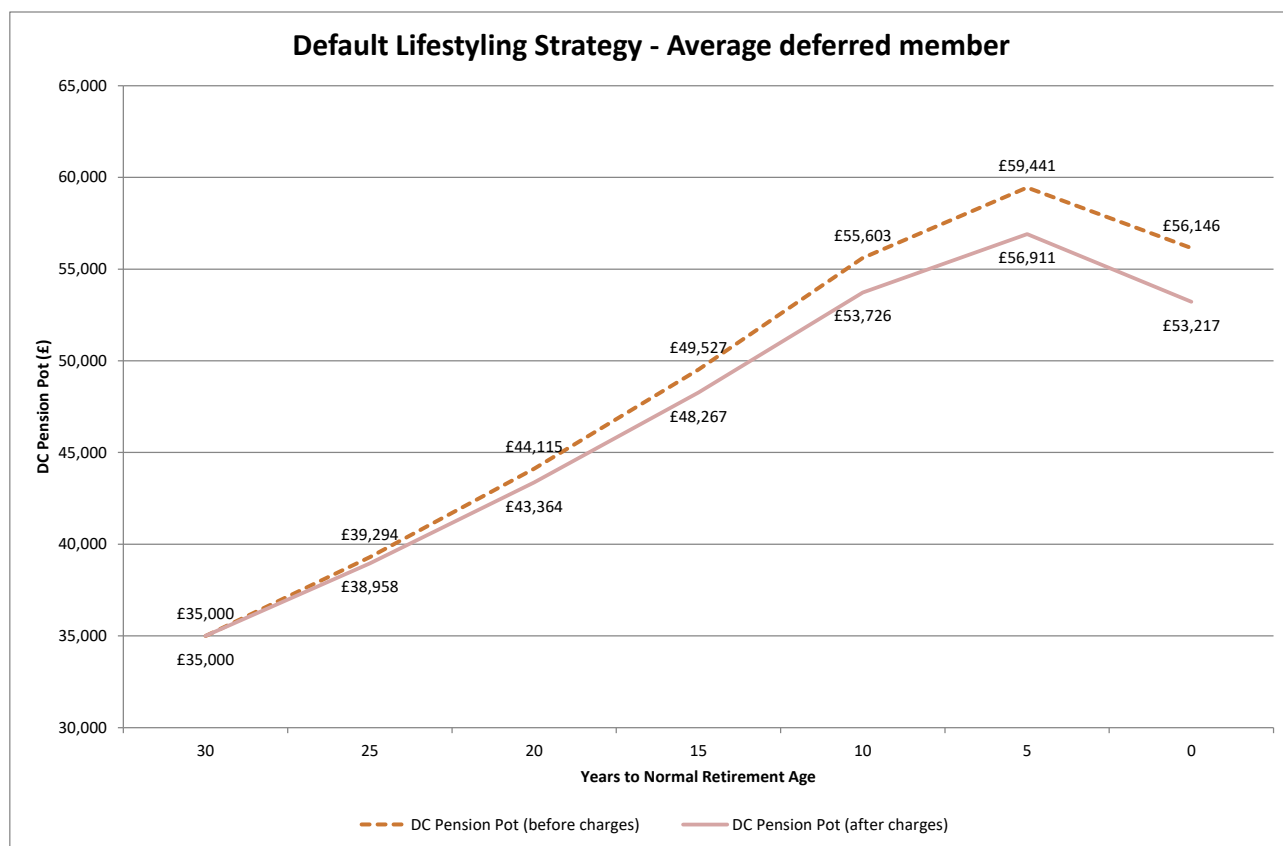


Illustration of charges levied on deferred members in the default arrangement

Below you can find an illustration of the effect of the charges met by Deferred Members on an example pension pot over time. This is for illustration only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- The Default investment arrangement.
- An initial pension pot of £35,000.
- Member is currently 30 years from Normal Retirement Date.
- There are no further contributions paid into the fund.
- Net (after charges, before inflation) returns estimated as 4.72% p.a. for the Global Equity (60:40) Fund (in which all monies are invested until 10 years from Normal Retirement Date) and is moved by a differing percentage each year into the L&G Over 5 Year Index Linked Gilt Fund (-0.43% p.a.) and L&G Cash Fund (-0.22% p.a.).
- Inflation of 2.5% p.a.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) –
CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020



In preparing these illustrations, the Trustees have had regard to:

- The Occupational Pension Schemes (Scheme Administration) Regulations 1996;
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018;
- The Pensions Regulator's Code of Practice number 13 on 'Governance and administration of occupational trust-based schemes providing money purchase benefits';
- The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix; and
- The Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes published by the DWP in September 2018.

Further illustrations are included in Appendix A for:

- all of the Funds available to members in the DC Section
- periods starting at 45 years from Normal Retirement Date

Defined Benefit (DB) Section Additional Voluntary Contributions (AVCs)

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

1. Legal & General

Some DB Section members have investments with Legal & General. These members have access to the same funds, have the same default strategy and the same charges and transaction costs as members of the DC Section.

2. Equitable Life

In June 2018, Equitable Life formally proposed its intention to amend its With-Profits policies, and then transfer these and its Unit-linked policies to Utmost Life and Pensions Limited ("Utmost"). This proposal was voted on by policyholders (including the Trustees) in October 2019 – and agreed by a significant majority. The proposal was then formally approved by the High Court on 4 December 2019 and the changes took effect from 1 January 2020.

The members affected were written to at the time, to confirm the changes to their investment holdings which from 1 January 2020 are held with Utmost.

Within the Equitable With-Profits Fund (prior to 1 January 2020) the direct charges made were an annual management charge of 1.0%. This figure includes transaction costs met by the Fund. The Trustees requested a breakdown of these costs, but these were not provided by Equitable Life.

The charge levied on members by Utmost for investments in the *Investing by Age* (default strategy) is guaranteed to be no more than 0.75% per annum of the funds invested for at least one year after the transfer. Beyond a year, Utmost will only increase the Annual Management Charge from these levels in limited circumstances, and this will not exceed 1% per annum in any event. The Trustees have requested the disclosure of transaction cost information from Utmost for the funds they now hold from 1 January 2020 which have yet to be provided. The Trustees will continue to request these for inclusion in future Statements.

Value for Members

The Trustees are required to assess the extent to which the charges and transaction costs set out above represent good Value for Members. The Trustees have taken advice on this, which they have considered, and concluded the following:

- The processes in place to ensure Core Financial Transactions are processed promptly and accurately are satisfactory (acknowledging that despite this, there were some issues of underpaid and late contributions from the employer, which have since been resolved);
- The governance structure in place allows the Trustees to carry out their core fiduciary duties to members;
- The charges and transaction costs (as set out in this Statement) are reasonable for investments of this type;
- The investment options on offer to members are generally performing in-line with fund benchmarks, during what has been a volatile socio-economic period;
- The quality of communications and other services, such as administrative support, delivered to members on both an annual and ad-hoc bases provide members with clear and coherent information on their benefits and the options available to them;
- The employer pays the expenses of running the DC Section over and above the charges noted as met by members in this Statement, which is of benefit to the members.

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR'S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

In considering Value for Members, the Trustees have also considered the following further matters:

Investment options

Whilst the investment strategy available gives members various options and asset types in which to invest, these should be reviewed frequently (and as a minimum on a triennial basis). The last investment strategy review was concluded in 2016 and completing the current ongoing review has been identified as one of the Trustees' main objectives for the coming period.

The current default investment strategy has a phasing during the 10 years approaching Normal Retirement Age (or selected retirement age for members that have done so) into assets targeting an annuity purchase at retirement. Annuity purchase is one benefit option at retirement, but there are others. For those members not planning to purchase an annuity, this strategy is unlikely to provide good value, and alternatives are going to be considered as part of the ongoing review.

Member engagement and communication

A review of the communication strategy was undertaken in the previous scheme year. Annual communications are prepared and are either sent to members by post, or are published online. These communications include (but are not limited to):

- *An abbreviated report and accounts* – these provide a snapshot of the Plan's position as at the year end;
- *Benefit statements* – these provide a summary of the benefits that members have. This also signposts members to a publicly available website where the latest DC Chair Statement and Statement of Investment Principles can be found.

These are in addition to the documents that members would expect to receive throughout their Plan membership, e.g. retirement packs.

During the recent communications strategy review, the Trustees recognised that the introduction of a member website (showing member specific details such as current pension pot values) would assist with member communications, and a final decision on whether to do so is outstanding.

Overall, the Trustees believe that the DC Section does provide good value to members. However, as acknowledged here, for members approaching retirement who are not planning to purchase an annuity, the current default strategy may not provide good value and is being considered as part of the ongoing investment strategy review.

Trustee knowledge and understanding

The Trustees are required to have appropriate levels of knowledge and understanding. This includes a working knowledge of the Plan's Trust Deed and Rules, Statement of Investment Principles and documents setting out the Trustees' current policies. Further, they must have sufficient knowledge and understanding of the law relating to pensions and trusts; and the principles relating to the funding and investment of occupational schemes.

The Plan Trustees have concluded that they have achieved these requirements, which is evidenced in several ways:

**DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) –
CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE 2020**

- The appointment of an independent professional trustee as the Chair of the Trustees – which through their experience and professional standing, supplement the Trustee board’s knowledge and understanding. The directors and relevant staff of the independent professional Trustee are required to complete continual professional development (CPD) of at least 25 hours each year. This takes the form of attending internal and external seminars and webinars and other training sessions hosted by various pension services providers and industry bodies as well as reading relevant materials. Training is logged and reviewed annually. Its AAF reporting requirements measure compliance with its CPD policy. Additional training for the independent professional Trustee during the period relevant to the DC section of the Plan included study of and attendance at webinars regarding the impact of Covid 19 on DC schemes and DC strategy, the proposals regarding consolidation of smaller DC schemes as well as further study in support of the successful completion of Units 1 and 2 of the PMI Award in Pension Trusteeship which lead to successful accreditation as a professional pension trustee with the Association of Professional Pension Trustees;
- The Trustees have access to, and knowledge of, the Plan’s documentation (e.g. Deed and Rules and Statement of Investment Principles). These documents are available to the Trustees via their advisors and the Chair of the Trustees. The recently completed consolidated Deed and Rules help both the Trustees and their advisers make good decisions;
- The Trustees maintain a ‘Development Log’, which details the training undertaken by each Trustee during the year and the ‘Topics of discussion’ at each Trustee meeting. The Trustees review this Development Log, and assess any knowledge gaps through discussion with their advisors, which they then set plans in place to address throughout the year;
- The Trustees receive updates from advisors on pensions law developments and any other areas of particular importance, including appropriate training. In the year, training and advice were included on the impact of COVID-19 on pensions.

New Trustees undertake a process of introduction including training on the key knowledge and understanding topics. They are encouraged to complete the relevant sections of the Pensions Regulator’s ‘Toolkit’. Further, they are provided with the documents needed to ensure they have a working knowledge of the Plan (e.g. the Trust Deed and Rules). No new Trustee joined in the Statement period.

The Trustees have also appointed professional advisers who provide advice and support. The Trustees therefore believe that they meet the requirements to be able to exercise their functions as Trustees of the Plan.

Signed for and on behalf of the Trustees of the Plan by:

S D Jeffrey-Gray
Director for Temple Trustees Limited
Chair of Trustees

Dated: 22 January 2021

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

Appendix A

Illustration of the effect of charges on members.

For active members: Assumes: i) that the member is currently 30 years from Normal Retirement Date; ii) Inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today’s terms; iv) contributions at 10% p.a. based on salary of £30,000 p.a. at the start of the projection, with no escalation of salaries above inflation in the period; and v) £35,000 starting pot at commencement

	Global Equity (60:40) Index Fund		Over 5 Years Index- Linked Gilts Index Fund		Cash Fund		Multi-Asset Fund		UK Equity Index Fund		AAA-AA Fixed Interest Over 15 Year TDF		Default Fund	
Investment Return*	4.90%	4.90%	-0.20%	-0.20%	-0.10%	-0.10%	4.10%	4.10%	4.90%	4.90%	2.00%	2.00%		
Charges**	0.00%	0.18%	0.00%	0.23%	0.00%	0.12%	0.00%	0.310%	0.00%	0.13%	0.00%	0.15%	Varies by age	
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
30	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
25	55,005	54,601	44,496	44,067	44,684	44,459	53,226	52,550	55,005	54,713	48,792	48,488	55,005	54,601
20	77,465	76,418	52,806	51,910	53,200	52,727	72,920	71,233	77,465	76,707	62,250	61,553	77,465	76,418
15	102,680	100,702	60,077	58,694	60,690	59,955	94,199	91,121	102,680	101,248	75,384	74,209	102,680	100,702
10	130,989	127,733	66,440	64,563	67,277	66,274	117,192	112,293	130,989	128,628	88,200	86,469	130,989	127,733
5	162,771	157,820	72,008	69,639	73,070	71,798	142,037	134,831	162,771	159,178	100,706	98,346	155,206	150,408
0	198,452	191,310	76,880	74,030	78,164	76,626	168,882	158,823	198,452	193,264	112,911	109,850	160,861	154,833
*Accumulation rate (before Inflation at 2.5%)														
**Ongoing Charge Figure (OCF) + Transaction costs														

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

For active members: Assumes: i) that the member is currently 45 years from Normal Retirement Date; ii) Inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today’s terms; iv) contributions at 10% p.a. based on salary of £30,000 p.a. at the start of the projection, with no escalation of salaries above inflation in the period; and v) no starting pot at commencement

	Global Equity (60:40) Index Fund		Over 5 Years Index-Linked Gilts Index Fund		Cash Fund		Multi-Asset Fund		UK Equity Index Fund		AAA-AA Fixed Interest Over 15 Year TDF		Default Fund	
Investment Return*	4.90%	4.90%	-0.20%	-0.20%	-0.10%	-0.10%	4.10%	4.10%	4.90%	4.90%	2.00%	2.00%		
Charges**	0.00%	0.18%	0.00%	0.23%	0.00%	0.12%	0.00%	0.310%	0.00%	0.13%	0.00%	0.15%	Varies by age	
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
45	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40	15,711	15,643	13,869	13,791	13,903	13,863	15,408	15,292	15,711	15,662	14,637	14,583	15,711	15,643
35	33,350	33,054	26,006	25,721	26,131	25,981	32,056	31,570	33,350	33,136	28,920	28,710	33,350	33,054
30	53,153	52,435	36,626	36,040	36,884	36,574	50,045	48,899	53,153	52,633	42,859	42,395	53,153	52,435
25	75,386	74,007	45,919	44,967	46,341	45,835	69,483	67,346	75,386	74,387	56,461	55,651	75,386	74,007
20	100,346	98,019	54,051	52,688	54,657	53,930	90,485	86,983	100,346	98,659	69,734	68,492	100,346	98,019
15	128,369	124,746	61,166	59,368	61,971	61,007	113,179	107,888	128,369	125,740	82,687	80,931	128,369	124,746
10	159,829	130,444	62,479	60,591	63,325	62,312	117,933	112,228	134,373	131,521	85,239	83,372	159,829	154,495
5	195,149	187,609	72,842	70,143	74,061	72,601	164,197	153,831	195,149	189,668	107,661	104,653	186,036	178,757
0	234,802	224,468	77,609	74,466	79,036	77,329	192,826	179,049	234,802	227,283	119,698	115,960	189,982	181,343

*Accumulation rate (before inflation of 2.5%)

**Ongoing Charge Figure (OCF) + Transaction costs

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

For deferred members assumes: i) that the member is currently 30 years from Normal Retirement Date; ii) Inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today's terms; iv) no contributions are assumed; v) a starting pension pot of £35,000

	Global Equity (60:40) Index Fund		Over 5 Years Index- Linked Gilts Index Fund		Cash Fund		Multi-Asset Fund		UK Equity Index Fund		AAA-AA Fixed Interest Over 15 Year TDF		Default Fund	
Investment Return*	4.90%	4.90%	-0.20%	-0.20%	-0.10%	-0.10%	4.10%	4.10%	4.90%	4.90%	2.00%	2.00%		
Charges**	0.00%	0.18%	0.00%	0.23%	0.00%	0.12%	0.00%	0.310%	0.00%	0.13%	0.00%	0.15%	Varies by age	
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
30	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
25	39,294	38,958	30,627	30,275	30,781	30,596	37,818	37,259	39,294	39,051	34,155	33,904	39,294	38,958
20	44,115	43,364	26,800	26,189	27,070	26,746	40,864	39,663	44,115	43,571	33,330	32,843	44,115	43,364
15	49,527	48,267	23,451	22,654	23,806	23,381	44,154	42,222	49,527	48,614	32,525	31,815	49,527	48,267
10	55,603	53,726	20,521	19,596	20,936	20,439	47,710	44,947	55,603	54,241	31,739	30,818	55,603	53,726
5	62,425	59,802	17,957	16,951	18,412	17,867	51,551	47,847	62,425	60,519	30,972	29,854	59,441	56,911
0	70,084	66,564	15,713	14,662	16,193	15,619	55,702	50,935	70,084	67,524	30,224	28,919	56,146	53,217

*Accumulation rate (before Inflation at 2.5%)
**Ongoing Charge Figure (OCF) + Transaction costs

DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE 2020

For deferred members:

Assumes: i) that the member is currently 45 years from Normal Retirement Date; ii) Inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today's terms; iv) no contributions are assumed; v) a starting pension pot of £10,000.

	Global Equity (60:40) Index Fund		Over 5 Years Index-Linked Gilts Index Fund		Cash Fund		Multi-Asset Fund		UK Equity Index Fund		AAA-AA Fixed Interest Over 15 Year TDF		Default Fund	
Investment Return*	4.90%	4.90%	-0.20%	-0.20%	-0.10%	-0.10%	4.10%	4.10%	4.90%	4.90%	2.00%	2.00%		
Charges**	0.00%	0.18%	0.00%	0.23%	0.00%	0.12%	0.00%	0.310%	0.00%	0.13%	0.00%	0.15%	Varies by age	
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
45	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
40	11,227	11,131	8,751	8,650	8,794	8,742	10,805	10,645	11,227	11,157	9,758	9,687	11,227	11,131
35	12,604	12,390	7,657	7,482	7,734	7,642	11,675	11,332	12,604	12,449	9,523	9,384	12,604	12,390
30	14,151	13,791	6,700	6,472	6,802	6,680	12,615	12,064	14,151	13,890	9,293	9,090	14,151	13,791
25	15,887	15,350	5,863	5,599	5,982	5,840	13,631	12,842	15,887	15,497	9,068	8,805	15,887	15,350
20	17,836	17,086	5,131	4,843	5,261	5,105	14,729	13,671	17,836	17,291	8,849	8,530	17,836	17,086
15	20,024	19,018	4,490	4,189	4,626	4,463	15,915	14,553	20,024	19,293	8,636	8,263	20,024	19,018
10	22,481	19,430	4,371	4,070	4,509	4,344	16,163	14,736	20,493	19,720	8,593	8,210	22,481	21,169
5	25,239	23,563	3,438	3,135	3,578	3,410	18,581	16,492	25,239	24,017	8,223	7,753	24,032	22,424
0	28,335	26,228	3,008	2,711	3,147	2,981	20,077	17,556	28,335	26,797	8,025	7,511	22,700	20,969

*Accumulation rate (before inflation of 2.5%)

**Ongoing Charge Figure (OCF) + Transaction costs

**DR MARTENS AIRWAIR GROUP PENSION PLAN (DEFINED CONTRIBUTION SECTION) – CHAIR’S STATEMENT FOR PERIOD ENDING 30 JUNE
2020**

Appendix B – Statement of Investment Principles dated 1 September 2020

The Dr Martens Airwair Group Pension Plan (“the Plan”)

Statement of Investment Principles

September 2020

Introduction

This document constitutes the Statement of Investment Principles (‘the SIP’) required under Section 35 of the Pensions Act 1995 (as amended) for the Dr Martens Airwair Group Pension Plan (‘the Plan’). The Plan has 2 sections: a defined benefit section and a defined contribution section. This document describes the investment policy being pursued by the Trustees of the Plan and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (‘the Myners Principles’) and TPR’s Investment Guidance for defined benefit and defined contribution pension schemes. This SIP also reflects the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

Detail on how the Plan’s investment strategy is implemented is set out in a separate Statement of Investment Implementation (‘SII’) document (which is maintained by the Trustees).

The Plan Actuary is John Prior of XPS Pensions Group and the Investment Adviser is River and Mercantile Solutions (collectively termed ‘the Advisers’).

The Trustees confirm that, before preparing this SIP, they have consulted with Dr Martens Airwair Group Limited (‘the Sponsoring Employer’) and the Plan Actuary and have obtained and considered written advice from the Investment Adviser.

The Trustees are responsible for the investment of the Plan’s assets and where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers first. They believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 (‘FSMA’), the Trustees set general investment policy, but have delegated day-to-day investment of the Plan’s assets to be undertaken, in the case of the defined benefit section, through the fiduciary management service of River and Mercantile Investments Limited (‘R&M Solutions’), hereafter referred to as the ‘DB Investment Manager’ and, in the case of the defined contribution section, to Legal & General Investment Management Limited, hereafter referred to as the “DC Investment Manager” (the “DB Investment Manager and the DC Investment Manager” are hereafter referred to as the “Relevant Investment Manager” as appropriate) .

Plan Governance

The Trustees are responsible for the governance and investment of the Plan’s assets. The Trustees consider that the governance structure is appropriate for the Plan as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Relevant Investment Manager or the Advisers as appropriate. The responsibilities of each of the parties involved in the Plan’s governance are detailed in the SII.

The Trustees will review this SIP at least every three years, or following any changes to the investment strategy, and modify it having consulted with the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Relevant Investment Manager or Adviser as part of such a review.

Defined Benefits Section (“DB Section”)

Suitability

The Trustees have defined the investment objective and investment strategy with due regard to the Plan’s liabilities.

The Trustees have taken advice from the Advisers to ensure that the proposed strategy, and the assets held by the DB Section of the Plan through that strategy, are suitable given its liability profile, the Trustees’ objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Plan (the Trust Deed).

Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Plan Actuary, with a full actuarial valuation at least every three years.

The Trustees will consider with the DB Investment Adviser and the Plan Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

Investment Objectives

The overall objective of the Plan is to meet the benefit payments promised as they fall due. The Trustees have set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in this Statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Plan provides as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the 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 Plan Actuary’s assumptions over the long term.

In quantitative terms, the Trustees’ current long-term objective for the Plan is to target an investment return objective of approximately 1.5% per annum (net of fees) in excess of the Liability Related Objective (“LRO”).

The LRO of the Plan’s liabilities is defined as the combination of the Plans’ Matching Assets and the instruments used within the Liability Hedging portfolio and are designed to reflect the inflation and interest rate sensitivity of the section's Technical Provisions liabilities. Further details on the composition of the LRO can be found in the SII.

Implementation of investment strategy

The Trustees have delegated the investment of the DB Section Plan assets to the DB Investment Manager, which has discretion to invest the Plan assets in underlying securities and funds, either directly or through the use of other investment managers of pooled funds (hereafter referred to as the ‘Underlying Managers’) (within guidelines as set out in the SII) to run the portfolio on a day-to-day basis. The Trustees have acknowledged and considered with sufficient diligence the potential conflict that may arise from the DB Investment Manager and the Investment Adviser being the same organisation.

Realisation of Investments

The majority of assets are held in underlying pooled funds, most of which can be realised easily if the Trustees so require. The Investment Manager is permitted to hold up to 10% of Growth Assets in specified illiquid investments (as defined in the Investment Management Agreement), which the Trustees acknowledge can take additional time to realise. The Trustees have considered this risk against the possibility of needing to realise these assets and are comfortable it is a reasonable approach to take.

Derivatives

The Trustees may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustees have taken advice on the suitability of the contracts and have delegated responsibility to the DB Investment Manager to implement these instruments on its behalf. Derivative instruments are typically used for risk management purposes in the portfolio.

Risks

The Trustees recognise a number of risks involved in the investment of the assets of the DB Section of the Plan. These risks, and how they are measured and managed, include:

- **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 Liability Related Objective or 'LRO' is designed to broadly match the movement in liabilities in order to measure the approximate changes in the liabilities (due to changes in interest rates and inflation expectations). The Trustees monitor this change relative to the change in asset values on a quarterly basis.
 - The Trustees also recognise the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. 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 Trustees examine how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LRO 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 Trustees. 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 Investment Manager.
- **Cash flow risk** – addressed through the monitoring of the cash flow requirement of the Plan to control the timing of any investment/disinvestment of assets.
- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.
- **Counterparty risk** – the risk of a counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular

collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

- **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- **Currency risk** – the risk that fluctuations in the value of overseas currencies affect the total return of the Plan’s investments when compared to a Sterling benchmark. The Trustees mitigate this risk by electing to allow the DB Investment Manager to use currency hedging.
- **Default risk** – the risk of income from assets not being paid when promised. This is addressed through restrictions for the DB Investment Manager and Underlying Managers, e.g. a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.
- **ESG risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by the DB Investment Manager’s ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio is set out in the quarterly governance report.
- **Mismanagement risk** – the risk of unsuitable investment activity by the DB Investment Manager. This is addressed in the agreement with the DB Investment Manager, and in turn by the DB Investment Manager with the Underlying Managers, which contain restrictions on the proportion and type of asset classes that the DB Investment Manager or Underlying Managers may invest in.
- **Organisational risk** – the risk of inadequate internal processes leading to problems for the Plan. This is addressed through regular monitoring of the DB Investment Manager and Advisers by the Trustees, and of the Underlying Managers by the DB Investment Manager.
- **Sponsor risk** – the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustees regularly review the covenant of the Sponsoring Employer.

The Trustees will keep these risks, and how they are measured and managed, under regular review.

Defined Contribution Section (“DC Section”)

Investment objectives

The Trustees’ objectives are to:

- Offer suitable funds for the members so that they have a range of options available from which they may be able to maximise, so far as is reasonable, the rate of return earned on the assets over the long term within an acceptable degree of variation in asset values relative to the cost of securing the benefits near retirement.

The member’s retirement benefits depend on:

- i. The level of contributions made by or in respect of the member.
 - ii. Investment returns achieved.
 - iii. Annuity terms prevailing at retirement, if an annuity is purchased.
 - iv. The retirement options decided upon by the member.
- Review, in conjunction with the Investment Adviser, by means of discussion with the DC Investment Manager any fund option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Plan’s investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.

Investment strategy

Having considered advice from the Investment Adviser, and also having due regard for the objectives and the members of the Plan, the Trustees have made available a number of passive funds with the DC Investment Manager. Members can choose to invest their contributions in one or more of the investment options.

The Trustees will ensure that each member’s investments are invested in accordance with the fund options selected by the member.

- **Investment options** – a range of alternative funds has been made available to provide individual members with a choice of asset classes and regions.
- **Lifestyling and Default Strategy** – members may choose to have their funds “lifestyled” or, in the event that members do not wish to choose their own funds, this is also the default option where no active investment choice is made. Members’ investments are automatically switched between one or more of the funds as the member approaches retirement to reflect the changing nature of the risks faced as retirement nears, as appropriate and/or in accordance with each member’s instructions. The lifestyle arrangements are constructed using global equity, index-linked gilts and cash funds.
- **Diversification** – the choice of investment options for members is designed to ensure that they are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.
- **Active and passive management** – the choice of whether to offer active and/or passive fund options is dictated by the funds offered by the DC Investment Manager and the Trustees have taken this into account when selecting the DC Investment Managers for the Plan.
- **Suitability** – the Trustees have taken advice from the Investment Adviser that the range of investment options offered to members is suitable. Members are responsible for choosing which of the funds is most appropriate for the investment of their own and their employer’s contributions, based on their own individual circumstances.

Strategy implementation

- **DC Investment Managers** – following advice from the Investment Adviser, the Trustees have appointed Legal & General to provide the pooled funds that make up the Plan's fund options.
- **DC fund options** – the range of funds offered to members was chosen from those offered by the DC Investment Manager to give members a diversified range of pooled investments from which they can select according to their individual circumstances.
- **Investment of contributions for DC Section members** – each member's contributions will be invested in line with his or her selected choice of funds.
- **Performance Objectives** – the funds are managed passively by the DC Investment Manager and, as such, performance is expected to be in line with the relevant index benchmark.

Default investment strategy (the "Default Strategy")

- **Aims and objectives of the Default Strategy** – The Trustees' aims and objectives in relation to the Default Strategy are to support members' investment needs where members do not choose any option. Broader aims and objectives in relation to the Default Strategy are set out in the earlier "Investment objectives" section.
- **The kinds of investments to be held** – the Default Strategy is constructed using global equity, index-linked gilts and cash funds.
- **The balance between different kinds of investments** – further from retirement, where members have a higher tolerance to risk, higher expected risk/return investments are held in the form of equities. Closer to retirement, as derisking occurs, a greater proportion of gilts and cash are held.

Risks applicable to the Default Strategy

The Trustees recognise a number of risks for the members of the DC Section. DC investors face the following main risks:

- **Inflation risk** – the risk that the purchasing power of their investment account is not maintained. To try and manage this risk, the Investment Managers will aim to achieve a return above the rate of inflation.
- **Pension conversion risk** – the risk that the value of pension benefits that can be purchased by or drawn from a given defined contribution amount is not maintained. This risk cannot be mitigated fully as it depends on market conditions for annuity rates at retirement and the member's retirement income decision.
- **Capital risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained. This could be due to the impact of any of the risks above and is addressed where possible in the same ways.
- **Communication risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Investment Adviser and regular monitoring and updates, where appropriate, of member communications.
- **Inappropriate member decision** – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice.

There are also other risks in addition to the above, for example, mismatching risk, manager risk, liquidity risk and concentration risk.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become significant as retirement approaches.

There is no single investment option that best manages all of these risks. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing capital risk.

The varying nature of the risks faced by a defined contribution investor through time means that no single investment product will adequately meet the needs of the investor throughout the investing period. Therefore, suitable funds will need to be sought for effective management of the risks faced by defined contribution investors.

The Trustees' policy on risk is to provide members with a range of investment options into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective.

For this purpose, the Trustees, in conjunction with the Relevant Investment Adviser, have chosen a range of investment options designed to provide members with a sufficient level of flexibility in their fund choices.

The Trustees will keep these risks, and how they are measured and managed, under regular review.

Expected return on investments

The funds are managed passively by the DC Investment Manager and, as such, performance is expected to be in line with the relevant index benchmarks as set out below:

Manager	Brief	Fund	Proportion	Benchmark
Legal & General	Passive	Consensus Index Fund	As required by individual instruction	The average Balanced Fund, excluding Property as published in the CAPS Pooled Pension Fund Update – Balanced Section.
		Global Equity Fixed Weights (60:40) Index Fund	As required by life-styling or individual instruction (as appropriate)	60% FTSE All Share 14% FTSE All World USA 14% FTSE All World Europe (ex UK) Index (Dev) 7% FTSE All World Japan 5% FTSE All World Asia Pacific (ex Japan) Index (Dev)
		UK Equity Index Fund	As required by individual instruction	FTSE All Share
		Over 5 Years Index-Linked Gilts Index Fund	As required by life-styling or individual instruction (as appropriate)	FTSE Actuaries Index-Linked Gilt (Over 5 years) Index
		AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	As required by individual instruction	FTSE Actuaries Government (Over 15 Year) Index
		Cash Fund	As required by life-styling or individual instruction (as appropriate)	LIBID 7 Day Notice Rate

Note: The Consensus Index Fund was re-named the Multi-Asset Fund on 31 July 2017.

- The equity investments are expected to produce long term returns above price inflation. The objectives of including the cash and gilt funds are to provide for the payment of the tax-free lump sum on retirement and to reduce volatility relative to the cost of purchasing an annuity, rather than to achieve a specified 'real' or 'nominal' return.
- Realisation of investments – Funds used within the Default Strategy are unitised, pooled funds which are dealt daily.

AVCs

The Plan provides a facility for members to pay AVCs to enhance their benefits at retirement. Members are offered a range of funds with Legal & General in which to invest their AVC payments. The Trustees' objective is to provide a range of funds which will provide a suitable long term return for members, consistent with members' reasonable expectations. There are some legacy AVCs held with Utmost Life and Pensions.

General Section

Monitoring

The Trustees will monitor the performance of the Relevant Investment Manager against the agreed performance objectives.

The Trustees, or any other suitably qualified Adviser on behalf of the Trustees, will regularly review the activities of the Relevant Investment Manager to satisfy themselves that the Relevant Investment Manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of the Plan.

As part of this review, the Trustees will consider whether or not the Relevant Investment Manager:

- Is carrying out their function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees are not satisfied with the Relevant Investment Manager, they will ask the Relevant Investment Manager to take steps to rectify the situation. If the Relevant Investment Manager still does not meet the Trustees' requirements, the Trustees will remove the Relevant Investment Manager and appoint another.

Corporate Governance and Stewardship

DB Section

The Trustees and DB Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the DB Investment Manager's activities, charging basis and other relevant matters. The Investment 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 Trustees have appointed the DB Investment Manager to implement the Plan's investment strategy. The DB Investment Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The DB Investment Manager is appointed to carry out its role on an ongoing basis. The Trustees periodically review the overall value-for-money of using R&M Solutions as the DB Investment Manager, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustees are satisfied that these arrangements incentivise the DB Investment Manager:

- to align its investment strategy and decisions with the Trustees' investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, 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 this medium to long-term performance. The success of such engagement will contribute to the Plan's performance, which is measured relative to the Trustees' long-term performance objectives.

The Plan's investments are generally made via pooled investment funds, in which the Plan'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, is delegated to the Underlying Managers.

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the DB Investment Manager. The DB Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the DB Investment Manager are subject to additional sign-off by the appropriate representative from the DB Investment Manager.

The DB Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The DB Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested. The Trustees acknowledge investments in internal funds managed by the DB Investment Manager and the Trustees require these internal funds to be subject to the same investment and operational due diligence process as applied to all Underlying Managers. In addition, the Trustee conduct performance and fee benchmarking reviews of the DB Investment Manager using independent advisers.

Where it can be determined, the DB Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustees' objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the DB Investment Manager, as detailed above.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. As an FCA regulated firm, the DB Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The DB Investment Manager directly monitors these as part of their regulatory filings (where available). The DB Investment Manager also monitors this as part of its ongoing review. The DB Investment Manager's Conflict of Interest policy is available publicly here: https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The DB Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the DB Investment Manager's expectations. Where there are material deviations the DB Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

DC Section

The Trustees and the DC Investment Manager have agreed, and will maintain, formal Manager Agreements and fund documentation setting out the scope of the DC Investment Manager's activities, its charging basis and other relevant matters.

As part of the appointment of the DC Investment Manager to the DC Section, the Trustees have accepted the terms of pooled investment vehicles, setting out the scope of each pooled fund vehicle's activities, their charging basis and other relevant matters. The appointment of the DC Investment Manager is ongoing. The Trustees periodically review the overall value-for-money of using the DC Investment Manager.

The DC Section's investments are made via pooled investment funds, in which the DC Section's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to the DC Investment Manager.

The DC Investment Manager where appropriate adopts an active approach to corporate governance. The Trustees are aware of the policy of the DC Investment Manager regarding corporate governance and have delegated the responsibility for activity in this area to the DC Investment Manager.

The Trustees undertake regular reviews of the DC Investment Manager. These reviews incorporate benchmarking of performance and fees as well as performance reviews (including understanding key drivers of performance). The Trustees review the governance structures of the DC Investment Manager, as well as assessing whether its fees, expenses and any other charges are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Trustees assess whether the DC Investment Manager's remuneration arrangements are aligned with the Trustees' objectives. The Trustees expect the DC Investment Manager:

- to align its investment strategy and decisions with the Trustees' investment policies, such as its return target and any restrictions detailed in the Trustees' policy documentation with the DC Investment Manager.
- to assess and make decisions based on the medium to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with the issuers to improve this medium to long-term performance. The success of such engagement will contribute to the DC Section's performance, which is reflected and measured relative to the Trustees' long-term performance objectives.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. Where investment managers are regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Trustees monitor this as part of ongoing review.

The Trustees oversee the transaction costs, including turnover costs (where available) incurred by the DC Investment Manager as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups. Where there are material deviations the Trustees engage with the DC Investment Manager to understand the rationale for such deviations and take appropriate action.

Financially material investment considerations

These considerations, which include the "Risks" set out earlier in this document, can affect the long-term financial performance of investments and can include environmental, social and governance factors (otherwise known as "ESG") where relevant. All references to ESG also include climate change.

The Trustees policy is to delegate consideration of financially material factors, including ESG to the Relevant Investment Manager who considers these when constructing the portfolio, including (for the DB Section) looking at Underlying Managers. All references to ESG relate to financial factors only. As part of their ongoing monitoring, the Trustee reviews some key metrics on a regular basis that are provided by the Relevant Investment Manager covering ESG which enable them to engage with the Investment Manager and understand the impact of ESG on the portfolio.

For the DB Section, ESG factors and stewardship are considered, in the context of long term performance, by the DB Investment Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the DB Investment Manager monitors the ESG implementation and on-going compliance with other factors, like stewardship as a part of overall engagement.

For the DC Section, the underlying funds used by the DC Investment Manager are passively-managed; therefore the extent to which the DC Investment Manager can account for these factors as part of portfolio construction is limited. However ESG factors and stewardship are considered, in the context of long term performance, by the DC Investment Manager as part of ongoing stewardship and engagement with underlying companies. The Trustee monitors the DC Investment Manager's stewardship and engagement activities as an asset owner with the underlying companies held.

Non-financial matters

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations.



Signed:

Date: September 2020

For and on behalf of the Trustees of the Dr Martens Airwair Group Pension Plan.