

## **Mitie Section of the Mitie Group Plc Pension Scheme (the "Scheme")**

### **Trustee's Governance Statement for the scheme year ending on 31 March 2024**

#### **1. Background**

This statement has been prepared in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Administration Regulations"). It relates to money purchase benefits which are former "protected rights" within the Scheme only and covers the period from 1 April 2023 to 31 March 2024.

For the period from 6 April 1998 and prior to 6 April 2012, the Final Salary section of the Scheme was contracted-out of the State Earnings Related Pension (known as "SERPS") and the State Second Pension ("S2P") on a "protected rights" basis. In accordance with the applicable contracting-out legislation, the "protected rights" contributions by members and the participating employers, plus certain rebates from HM Revenue & Customs, were paid to a member's account in the Scheme. Such accounts were invested on a notional basis.

At all times, however, the Scheme remained (and continues to be) a defined benefit pension scheme. The members' "protected rights" accounts were in effect an underpin for the relevant period of contracted-out service. The pension which could be secured by such "protected rights" accounts was compared with the defined benefit pension which the member built up in the Scheme for that period, with the member receiving the higher benefit. However, certain member events occurred, such as refunds of member contributions or transfers to schemes that could not accept "protected rights," as a result of which only the "protected rights" elements remained in the Scheme. Such accounts are therefore effectively money purchase benefits.

These money purchase accounts are invested within the Scheme's assets.

Following the abolition of contracting-out on the "protected rights" basis with effect from 6 April 2012, no further payments were made into the members' "protected rights" accounts.

#### **2. Default investment arrangements**

As the former "protected rights" accounts are invested with the Scheme's assets generally, this is effectively the "default fund" for the money purchase assets which are attributable to "protected rights".

The Scheme is not used as a Qualifying Scheme for auto-enrolment.

#### **3. Statement of Investment Principles**

The Trustee has prepared a statement of investment principles (a "SIP") governing decisions about investments of the Scheme assets. As the "protected rights" accounts are held within the Scheme's assets generally, which are therefore the "default arrangement" for these purposes, the SIP applies to such accounts.

A copy of the latest SIP relating to the Scheme assets is contained in **Appendix 1** to this statement.

#### **4. Review of default strategy and default arrangement**

The Trustee receives information on the performance of the Scheme assets from the Scheme's appointed fiduciary manager on a quarterly basis. Such performance is reviewed by the Trustee at each Trustee Investment Committee meeting, with input from the Scheme's appointed investment advisers.

The Trustee reviews the SIP and Scheme asset investment strategy and performance of the Scheme assets regularly and at least every three years.

Each regular review focuses, in particular, on the extent to which the return on investments is consistent with the Trustee's aims and objectives in respect of the Scheme assets (as recorded in the SIP). The Trustee may also at times undertake reviews of specific aspects of the SIP and the performance of the Scheme assets.

The "protected rights" are deemed to be invested in the same assets and in the same proportions as for the Scheme as a whole. In particular, there is no separation or segregation of assets and members with "protected rights" have no choice over where the assets are deemed to be invested.

The notional return for the "protected rights" is that for the Scheme as a whole (net of investment manager costs).

Accordingly, the SIP does not make any specific reference to "protected rights".

The most recent review of the SIP was conducted in March 2024. For this purpose, the Trustee obtained the advice of its investment consultant, Lane Clark & Peacock ("LCP"), and consulted with the Principal Employer. The SIP implemented risk reduction measures and also set out the Trustee's policies on material considerations (including Environmental, Social and Governance ("ESG") matters and climate change), the extent to which non-financial matters are considered and stewardship practice.

The Trustee undertook an extensive review of the Scheme's investment objectives during the year and concluded that the investment performance of the Scheme assets is consistent with the aims and objectives in the SIP, striking an appropriate balance between investment risk and return given the ongoing level of support provided by Mitie.

A copy of the SIP is attached to this statement.

The Trustee has signed an agreement with Schroders IS Limited (the "Fiduciary Manager"), setting out in detail the terms on which the assets are to be managed. Under fiduciary management, the Trustee remains responsible for the stewardship of the Scheme, including setting the overall investment objectives and monitoring the Fiduciary Manager.

The Fiduciary Manager's primary role is the day-to-day investment management of the Scheme's investments, and it is authorised under the Financial Services and Markets Act 2000 (as amended) to conduct such activities. The Fiduciary Manager has been delegated responsibility for exercising their powers to give effect to the principles in the SIP, as far as is reasonably practicable. The Trustee has set specific guidelines within agreement that the Fiduciary Manager must adhere to.

The Trustee evaluates the Fiduciary Manager's investment performance by considering performance over both shorter and longer-term periods as available.

## 5. **Processing core financial transactions**

The Trustee needs to ensure that certain transactions (known as "core financial transactions") relating to money purchase benefits within the Scheme are processed promptly and accurately.

For these purposes, "core financial transactions" are (broadly):

- investment of contributions made to the Scheme by members and their employer(s).
- transfers into and out of the Scheme of assets relating to members.
- switches of members' investments between different funds within the Scheme; and
- payments from the Scheme to or in respect of members (e.g., payment of death benefits).

The nature of the former “protected rights” accounts is such that no new contributions can be paid to the accounts, and as such accounts are held within the Scheme assets and there are no switches of investments between different funds for the relevant members.

During the past scheme year, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately, and to monitor such processing:

- the Trustee has in place with the Scheme’s administrators a service level agreement which includes relevant key performance indicators (KPIs) regarding the accuracy of and timescales for processing core financial transactions;
- the Trustee receives and reviews a quarterly administration report from the Scheme’s administrators which sets out the administrators’ performance against the KPIs in the service level agreement; and
- the administration report also reports any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators’ processes which have been implemented to ensure that there is no repetition of such errors.

In general, during the year, performance against the agreed KPIs was acceptable. The Trustee is currently working with the Scheme administrator to improve service levels for the Scheme.

Due to the nature of the “protected rights” accounts, there are no KPIs required in connection with the investment of contributions, the transfer-in of funds or investment fund switches.

No material issues were identified during the scheme year.

**6. Charges and transaction costs**

Due to the nature of these money purchase benefits, the members’ accounts are not subject to any transaction costs or any other costs or charges.

Given this, there is no need for an assessment to determine whether the charges and transaction costs represent “good value” for members. Nor is there any impact of costs and charges on members’ benefits and so no illustrative examples of any such cumulative impact are required for these purposes.

**7. Net return on investments**

The Trustee gathers information each year on the net return on investments achieved on funds held. As explained above, the nature of the money purchase benefits in question are not subject to any deduction of charges and costs.

For completeness, however, the table below sets out details of the net return on investments for the Scheme assets as a whole, given there are no other funds in which the former protected rights accounts are invested.

When preparing this table, the Trustee has taken into account specific guidance from the Department for Work & Pensions and have followed the approach set out in that guidance.

	Net annualised return on investments		
	10 years	5 years	1 year
<b>Total Scheme assets</b>	1.4%	-4.2%	-0.4%

## 8. **Trustee's knowledge and understanding**

In order to be able properly to exercise their functions, the Trustee Directors of the Scheme need to have a working knowledge of the following documents relating to the Scheme:

- the Scheme's trust deed and rules;
- the Scheme's SIP; and
- any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.

They also need to have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and trusts, and the principles relating to pension scheme funding and investment of pension scheme assets of occupational pension schemes.

In addition, the Trustee directors of schemes that are subject to the Climate Change Governance and Reporting Requirements in Part 1 of the Schedule to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 must have knowledge and understanding of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change.

The Trustee directors are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they were material.

The Trustee Directors also consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of other relevant principles relating to the funding and investment of occupational pension schemes and of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change, to fulfil their duties.

The Trustee Directors are required to commit to completing the training, either at the relevant meetings or by personal study. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Scheme has in place a structured induction process for new trustees.

To ensure that the Trustee Directors have the necessary level of knowledge and understanding, the following steps have been undertaken during the past scheme year:

- The Trustee Directors have attended the following knowledge and understanding presentations and training prepared and delivered by the Trustee's relevant advisers:

- Legislative and regulatory developments – including the Pensions Schemes Act 2021, the Pensions Regulator’s single Code of Practice and Pensions GMP Rectification and Equalisation).
  - Investment manager presentations and investment strategy which included the resilience testing of the schemes LDI assets and fiduciary management overview.
  - Covenant assessment and Investment governance (including Responsible Investment and ESG).
  - Actuarial valuation training and Actuarial valuation assumptions.
- In addition, the Trustee has obtained legal, actuarial, accounting, investment and consulting advice as and when required during the past scheme year.

Following their annual review of training and the professional advice available, the Trustee Board is satisfied that the combined knowledge and understanding of the Trustee Directors, together with the advice, which is available to them, enables them to properly exercise their functions as Trustee of the Scheme.

**Signed:** .....  .....  
Signed by:  
Stuart Southall  
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**Chair of Trustee Board**

**Date:** 17 July 2024

# *Statement of Investment Principles*

**For the Mitie Group plc Pension Scheme**

**Effective from: March 2024**



## 1. Introduction

This Statement of Investment Principles ("SIP") has been produced by Directors of Mitie Group Pension Trustee Company Limited (the "Trustee" or "We") of the Mitie Group plc Pension Scheme (the "Scheme").

It sets out our policies on various matters governing investment decisions for the Scheme, which is a Defined Benefit ("DB") Scheme. This SIP also covers the Additional Voluntary Contribution arrangements ("AVCs").

This SIP replaces the previous SIP dated March 2022.

This SIP has been prepared after obtaining and considering written advice from Lane Clark & Peacock ("LCP"), our strategic 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 Scheme and the principles contained in this SIP.

We have consulted with the Principal Employer, Mitie Treasury Management Limited (the "Employer") 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.

## 2. Investment objectives

The primary objective for the Trustee is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- that the Scheme should be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis); and
- that the expected return on the Scheme assets is maximised whilst managing and maintaining risk at an appropriate level.

Additionally, for Part A, the Trustee and Employer have agreed a longer term objective that the Scheme should be fully funded on a "self-sufficiency" basis, defined as the technical provisions basis but with a discount rate of gilts +0.5% pa, by 31 March 2030. Investment strategy

### Part A

The Scheme has a linear de-risking investment strategy in place. The strategic allocation at each six-monthly de-risking point is shown in the table below:

Date	Growth portfolio	Credit portfolio	Matching portfolio	Total
31/03/2022	38.4%	21.6%	40%	100%
30/09/2022	36.8%	23.2%	40%	100%
31/03/2023	35.1%	24.9%	40%	100%
30/09/2023	33.5%	26.5%	40%	100%
31/03/2024	31.8%	28.2%	40%	100%
30/09/2024	30.2%	29.8%	40%	100%
31/03/2025	28.5%	31.5%	40%	100%
30/09/2025	26.9%	33.1%	40%	100%
31/03/2026	25.2%	34.8%	40%	100%
30/09/2026	23.6%	36.4%	40%	100%
31/03/2027	21.9%	38.1%	40%	100%
30/09/2027	20.3%	39.7%	40%	100%
31/03/2028	18.6%	41.4%	40%	100%
30/09/2028	17.0%	43.0%	40%	100%
31/03/2029	15.3%	44.7%	40%	100%
30/09/2029	13.7%	46.3%	40%	100%
31/03/2030	12.0%	48.0%	40%	100%

### Part B

The target allocation for Part B is currently as follows:

Growth portfolio	Credit portfolio	Matching portfolio	Total
33.5%	26.5%	40%	100%

There is no automatic de-risking strategy agreed.

### 3. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of 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 ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the investment strategy it is our policy to consider:

- the best interests of all members and beneficiaries;
- our investment objectives, including the target return required to meet these objectives;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and our ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk so that both the overall level of investment risk and the balance of individual asset risks are appropriate.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the Scheme including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

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 may be appropriate in certain markets. However, investment markets are not always efficient and there may be opportunities for good active managers to add value;

- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified;
- ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium, and long term.

### 4. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our strategic investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have a signed fiduciary management agreement with our fiduciary manager, Schroders IS Limited ("Schroders"), setting out in detail the terms on which the assets are to be managed. The fiduciary manager's primary role is the day-to-day investment management of the Scheme's investments. The fiduciary manager is authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The fiduciary manager has been delegated responsibility for exercising their powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

We have some influence over our fiduciary manager's investment practices due to the nature of the Scheme's arrangement and we have set specific guidelines within the investment agreement that our fiduciary manager must adhere to.

Our view is that the fees paid to our fiduciary manager, and the possibility of its mandate being terminated, ensure it is incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions. In practice our fiduciary manager can align its strategy and decisions to our policies in



relation to strategy, long-term performance of debt/equity fund managers, engagement, and portfolio turnover.

It is our responsibility to ensure that the fiduciary manager's investment approach is consistent with our policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. We expect our fiduciary manager, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with the fund managers who invest in the underlying issuers to improve their performance. We assess this when selecting and monitoring our fiduciary manager.

We evaluate our fiduciary manager's investment performance by considering performance over both shorter and longer-term periods as available. Generally, we would be unlikely to terminate our fiduciary manager mandate based on short-term performance grounds alone. We would also expect our fiduciary manager to be unlikely to terminate an underlying investment manager mandate on short-term historical performance grounds alone.

Our policy is to evaluate our fiduciary manager by reference to its performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The fiduciary manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the fiduciary manager. We expect our fiduciary manager to consider the potential impact of portfolio turnover and resulting transaction costs as appropriate when managing the Scheme's investment mandate.

## 5. Realisation of investments

The fiduciary manager has discretion over the timing of realisation of investments of the Scheme within the portfolio that it manages, and in considerations relating to the liquidity of investments.

When appropriate, we, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the fiduciary manager of any liquidity requirements. Our preference is for investments that are readily realisable, but we recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid.

## 6. Financially material considerations and non-financial matters

We consider how 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 Scheme and its members.

We reflect the Scheme's approach to ESG and other financially material factors through our investment strategy and fiduciary manager selection decisions.

We expect our fiduciary manager to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates it is set. We believe our fiduciary manager has the skills and processes to do this, and periodically review how the fiduciary manager is taking account of these issues in practice.

We can influence the fiduciary manager's investment practices due to the nature of the Scheme's arrangement. Although the fiduciary manager has limited influence over the underlying investment managers' investment practices where assets are held in pooled funds, we expect our fiduciary manager to encourage the investment managers to improve their practices where appropriate.

We do not 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.

## 7. 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.

We have delegated to our fiduciary manager the exercise of rights attaching to investments, including voting rights, and engagement with underlying managers who invest in issuers of debt and equity, stakeholders, and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with the fiduciary manager on matters including ESG and stewardship.

We have delegated the monitoring and engagement with issuers or other holder of debt or equity to our fiduciary manager (we acknowledge the fiduciary manager can only engage with the underlying investment managers who invest directly in issuers) and expects the fiduciary manager to exercise ownership rights and undertake monitoring and engagement in line with the fiduciary manager's policies on stewardship, considering the long-term financial interests of the beneficiaries.

In particular, the Trustee has received training on the fiduciary manager's approach to stewardship. The fiduciary manager has its own voting and engagement policies documented in its Engagement Blueprint which sets out six sustainability themes to prioritise and which guides the voting and engagement behaviours of the fiduciary manager. Therefore, to ensure focused voting and engagement with the underlying investment managers, the Trustee has chosen to align its stewardship priorities with those of the fiduciary manager: Climate Change, Natural Capital & Biodiversity and Human Rights. The Trustee expects the fiduciary manager to take their policy and stewardship priorities into account as part of its own stewardship activities and manager selection. We expect the fiduciary manager to communicate its policies on stewardship to us from time to time and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We can influence the fiduciary manager's stewardship practices due to the nature of the Scheme's arrangement. Although the fiduciary manager has limited influence over the investment managers' stewardship practices where assets are held in pooled funds, we expect our fiduciary manager to encourage the investment managers to improve their practices where appropriate.

We seek to appoint a fiduciary manager that has strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.