Mars Associates' Retirement Plan (the "Plan")

Statement of Investment Principles

June 2023

1. Introduction

1.1 This statement of investment principles has been prepared in accordance with the requirements of section 35 of the Pensions Act 1995 (the "**Act**") and the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Regulations**"). It was adopted by Mars Pension Trustees Ltd (the "**Trustee**") on 21 June 2023 and supersedes any previous versions.

1.2 In accordance with the requirements of the Act and the Regulations, the Trustee has consulted Mars Wrigley Confectionery UK Limited on behalf of itself, Mars Food UK Limited and Mars Petcare UK (collectively the "**Sponsoring Companies"**).

1.3 The Trustee has obtained and considered written advice on this statement of investment principles from SECOR Investment Advisors (UK) LLP ("**SECOR**") who are authorised and regulated by the Financial Conduct Authority. The Trustee considers that SECOR is qualified to advise by its ability in and practical experience of financial matters and that it has appropriate knowledge and experience of the management of the investments of pension schemes such as the Plan.

1.4 The Trustee will review this statement of investment principles in not more than three years' time. It will also be reviewed without delay after any significant change in investment policy.

1.5 At the last actuarial valuation of the Plan as at 31 December 2020, it was established that the Plan had assets equal to 108% of its technical provisions valued as required under Part 3 of the Pensions Act 2004. Based on this result, the Plan met the statutory funding objective under that legislation as at 31 December 2020. The next actuarial valuation is due to be performed no later than as at 31 December 2023.

2. Investment Governance Structure

2.1 The Trustee is responsible for the investment of the Plan's assets. Specifically the Trustee approves the long term investment policy of the Plan which includes: the investment objectives (section 3); risk capacity and risk appetite (section 4); long term journey plan (section 5); risk management approach (section 6); strategic liability hedge (section 7); strategic asset allocation (section 8); and cashflow and collateral/liquidity management strategy (section 9) which together are referred to as the "**Investment Policy**" in this statement of investment principles.

2.2 The Trustee has established a committee of the Trustee (the "**Investment Committee**") that is responsible for: (1) advising the Trustee on the Investment Policy (and other related matters); (2) implementing the Investment Policy; and (3) monitoring the performance of the Plan's investments and its investment managers and advisors and their compliance with this statement of investment principles. So far as consistent with its fiduciary and legal responsibilities, the Trustee has delegated to the Investment

Committee appropriate powers to enable the Investment Committee to fulfil these responsibilities.

2.3 The Plan's strategic investment advisor, SECOR, provides advice and assistance to the Trustee and to the Investment Committee.

2.4 A team of associates is made available by the Sponsoring Companies (the "**T&B Investment Team"**) to assist and support the Trustee and Investment Committee in the fulfilment of their responsibilities for investment and to operate all necessary controls and accounting.

2.5 The day to day fund management of the assets of the Plan is performed by external professional fund managers (each of which is authorised and regulated by the Financial Conduct Authority or similar overseas entities).

2.6 The Investment Committee oversees the appointment, terms of appointment and, if appropriate, termination of appointment of fund managers and monitors their performance.

3. INVESTMENT OBJECTIVES

3.1 The Trustee's investment objectives are to:

(a) protect the funded status of the Plan;

(b) ensure that assets held in the Plan, prospective returns and contributions from the Sponsoring Companies will enable the Plan to pay members' benefits in a timely manner;

(c) generate sufficient returns from the Plan's assets, subject to the Trustee's principles of prudent asset management, diversification and risk management, and to the incorporation of the risk tolerance of the Trustee;

(d) ensure that the liquidity of the Plan's investment portfolio as a whole is appropriate for the Plan's liabilities; and

(e) ensure an appropriate degree of risk, taking into account the Plan's funding principles and the Sponsoring Companies' covenant.

In pursuing these objectives, the Trustee and the Investment Committee will seek to ensure that the Plan follows prudent asset management, risk controls, and compliance with Plan documents and applicable laws.

3.2 The Trustee has adopted certain investment beliefs to articulate the Trustee's views and to serve as a guide between the Trustee's Investment Objectives and practical decision-making to implement and govern the Plan (the "**Investment Beliefs**").

3.3 The Trustee has organised the Investment Beliefs into three distinct categories:

(a) Economic Theory beliefs, which cover the fundamental underpinnings that drive financial markets, investment returns and the ability for investors to earn returns on capital.

(b) Investment Process beliefs, which underpin the rationale behind the set of strategies Mars has chosen, i.e. why some were chosen and others avoided and how these are implemented.

(c) Governance beliefs, which drive the way we control the Investment Process to make sure the programme is implemented consistent with our skills, goals and risk tolerance.

3.4 The Investment Beliefs are set out below;

NO.	**INVESTMENT BELIEF**
1.	**Economic Theory – What drives markets?**
	Risk is the price of return
	Asset prices generally reflect fair value
	Combining investments reduces risk but not return expectations
	Risk is a choice
2.	**Investment Process – How do we capture value?**
	We accept required risks to generate beneficial returns
	Diversification reduces unrequired risk
	“How?” is as important as “What?”
	Skilled active management improves the risk-return trade-off
3.	**Governance - How do we manage the strategies we employ?**
	Specialisation aligns skill with responsibility
	We rely on competent partners and should choose and monitor them carefully
	Clear roles and decision frameworks link outcomes to objectives
	Oversight and controls foster delegation and reduce costly mistakes

4. RISK CAPACITY AND RISK APPETITE

4.1 The Trustee considers the Plan's risk capacity having regard to the funding position of the Plan, the Sponsoring Companies' covenant strength and the contributions due to the Plan. This allows the Trustee to determine how much risk the Plan could take.

4.2 The Trustee then considers risk appetite. Risk appetite is assessed in the context of the funding position of the Plan having regard to investment and liability expectations, the aims of the long-term journey plan and the probability that deficit contributions will be needed. This allows the Trustee to determine how much risk it wants to take in respect of the Plan.

4.3 The Trustee undertook an asset and liability modelling study to assist in determining the Plan's approach to risk.

5. LONG TERM JOURNEY PLAN

5.1 The Trustee is focused on ensuring that the Plan has sufficient assets to cover its liabilities (as calculated on the technical provisions basis as defined in the Pensions Act 2004).

5.2 In addition, the Trustee is aiming to achieve a higher level of funding referred to as "self-sustainability". The latter means building sufficient assets such that it minimises the risk that the Plan will need further material contributions from the Sponsoring Companies in respect of accrued Plan benefits.

5.3 To achieve this long term aim, the Trustee has adopted a de-risking and re-risking policy which adjusts exposure to matching assets in line with the Plan's funding position. The de-risking and re-risking policy seeks improved funding of the Plan through exposure to risk assets while the Plan can benefit from it and reduces risk through increased exposure to matching assets as the funding position of the Plan improves. The de-risking and re-risking policy balances the benefits of de-risking against the need for return to provide sufficient assets to cover the liabilities of the Plan.

A high level summary of the de-risking and re-risking policy is set out in the table below.

Funding Position	**Below 103%**	**103%-110%**	**110%-117%**	**117%-123%**	**123%+**	**Self-sustainability phase**
% Matching assets	20%	35%	40%	40%	65%	TBD[1]
% Minimum Duration Extension	*10%*	*10%*	*10%*	*30%*	*15%*	*TBD*
Matching assets profile	Liability-based[2]	Liability-based[2]	Liability-based	Liability-based	Liability-based	Liability-based

[1] Formalising the self-sustainability phase is an aim of the 2023 ALM & Feasibility study.
[2] Previously Market-based but, since the Plan reached Step 2 in the de-risking flight plan, the matching assets will not be converted back to Market-based from Liability-based assets in the event of re-risking.

6. RISK MANAGEMENT APPROACH

6.1 The Trustee recognises and monitors a number of risks related to investments. The Trustee understands the importance of managing risks with the Plan. The key risks and the way that they are managed are set out below.

Risk	**Summary**	**Management**
Funding	The risk that the Plan has insufficient assets to meet its liabilities.	The Trustee aligns with the Sponsoring Companies to agree an appropriate contribution policy, de-risking and re-risking policy and Investment Policy. The Trustee keeps this under review.
Asset/Liability mismatch	The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors and demographic factors.	The Trustee undertakes regular asset and liability management studies to assess the appropriate level of "mismatch risk" (also known as “investment policy risk”) given the maturity of the Plan, the relationship with the Sponsoring Companies and the available buffers. This translates into a risk budget for the assets relative to liabilities (“**Funded Status Volatility**”).
Sponsoring Companies	The possibility of deterioration in or failure of the Plan’s Sponsoring Companies.	The Trustee and its advisors consider this risk when setting the Investment Policy and the Trustee consults with the Sponsoring Companies as to the suitability of the Investment Policy. In addition, the Trustee keeps the covenant of the Sponsoring Companies under close review with the assistance of external covenant advisors.
Concentration (or Lack of Diversification)	The risk of a failure of the Investment Policy to provide expected diversification benefits.	The Trustee and its advisors consider this risk when setting the Investment Policy. The Investment Policy is for the Plan's investments to be diversified over and within a range of asset classes, currencies, investment managers and counterparties.
Liquidity	The risk of a shortfall of liquid assets relative to the Plan’s immediate liabilities.	The Trustee manages cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.

Risk	Summary	Management
Manager	The risk of a failure by the investment managers to achieve the rate of investment return assumed.	The Trustee considers this risk which is mitigated through a robust manager selection and monitoring process, and through manager diversification. Upon appointment, the Trustee will set a performance benchmark, risk expectations and limits. The Trustee also assesses and monitors its fund managers against a range of qualitative factors which it believes support successful fund management. The Trustee monitors these factors on a regular basis.
Operational	The risk of losses as a result of fraud, poor advice or acts of negligence, resulting from inadequate internal processes, people and systems.	The Trustee seeks to minimise such risk by ensuring that all advisors and third-party service providers are suitably qualified and experienced and the Trustee includes suitable terms in all contracts for professional services received. In addition, the Trustee follows well-developed internal policies and procedures in terms of the selection of advisors, portfolio controls, transparency and checks and balances.
Market	The risk of experiencing excessive or persistent losses due to factors that affect the overall performance of the financial markets.	The Trustee and its advisors considered this risk when setting the Investment Policy. The Trustee mitigates this risk through diversification of the Plan's investments across and within a range of asset classes, geographical regions and market sectors.
Regulatory	The risk of adverse consequences arising from the failure to comply with all relevant laws and regulations.	The Trustee seeks to minimise such risk by engaging with qualified external advisors that are mandated to provide advice on compliance with all relevant laws and regulations.
Climate change	The risk of adverse financial consequences arising from the impact of climate change on the Sponsoring Companies and the Plan’s investments.	The Trustee seeks to identify, assess and manage climate-related risks and opportunities by establishing and maintaining its Responsible Investing Policy and by incorporating climate-related risks into its wider risk management framework.

References in the table to actions of the Trustee include actions undertaken by delegates of the Trustee on its behalf.

7. STRATEGIC LIABILITY HEDGE

7.1 The Trustee has adopted a liability driven investment programme that targets a fixed hedge ratio for hedging interest rate and inflation risk. The LDI programme will aim to hedge 90% of the interest rate and inflation sensitivity of the gilts-flat liability. Switching to a gilts-flat target aligns the LDI programme with a likely future end goal of hedging 100% of the gilts-flat liability interest rate and inflation sensitivities.

8. STRATEGIC ASSET ALLOCATION

8.1 The Trustee has set the Plan's strategic asset allocation having regard to its investment objectives. It aims to achieve a long-term return of 4.3%, with an expected Funded Status Volatility of 3.5%. The performance of the Plan is measured against the liability benchmark – this is based on projected cash flows out of the Plan (adjusted for sensitivity to future inflation) as provided by Aon Solutions UK Limited and then discounted by reference to UK government gilt yields plus a fixed margin.

8.2 The Plan's actuary (appointed under the Act) has confirmed the overall consistency of this with the Plan's statement of funding principles.

8.3 The asset allocation and ranges applicable to the Plan are set out below in the table.

Asset Class	Strategic Mix	Range[1]
Public Equity	15%	5-25%
Matching Gilts	65%	55-75%
Private Equity[2]	10%	0-20%
Property[2]	10%	0-20%
Private Credit[3]	0%	0-5%
Cash	0%	0-5%

[1] These ranges may be breached as a result of the Plan’s substitution policy

[2] The investment strategy does not seek to increase existing allocations via new commitments within these asset classes. Existing commitments will be honoured while the programmes wind down over time

[3] Private Credit is not part of the intended strategic asset allocation but remains an asset class to account for the assets remaining from the prior investment strategy

8.4 In addition to the strategic asset allocation shown above, the Plan has a strategic equity downside hedging programme. The programme consists of a derivative overlay, which aims to provide protection on 30% of Plan Assets, rebalanced quarterly.

8.5 The Plan also operates a programme called Portable Alpha. This is not a strategic asset class but an implementation method. Portable Alpha includes a target allocation to hedge funds of 15%, with a range of 0-25%, subject to Plan liquidity requirements and needs.

8.6 There is currently no investment in any employer-related investment and the Trustee's policy is that there should not be any such investment.

8.7 The aim is to manage the assets to remain within the ranges outlined in the table. If, at the end of any month the assets have moved out of the ranges, then the Trustee's policy is to rebalance the asset class unless there are sound reasons not to do so and the Trustee decides not to rebalance.

9. CASHFLOW AND COLLATERAL/LIQUIDITY MANAGEMENT STRATEGY

9.1 The Trustee aims to ensure that the liquidity of the Plan's investment portfolio as a whole is appropriate for the Plan's liabilities. Specifically, the Trustee wants to manage the risk of a shortfall of liquid assets relative to the Plan's immediate liabilities. The Trustee manages the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.

9.2 Investment in the illiquid asset classes, private equity, property and private credit, are limited to 40% of Plan assets. In extreme circumstances, market fluctuations may cause the illiquid mix to rise above 40%. If such circumstances arise, the Trustee will be informed and a course of action will be determined.

9.3 Derivatives may be used where appropriate for hedging purposes and to facilitate efficient portfolio management.

9.4 The Plan employs collateral management in support of derivatives. Collateral is netted between programmes and individual broker dealers with counterparty risk being actively monitored.

9.5 At any given time, a minimum level of assets of sufficient liquidity and quality is held to ensure the Plan is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

10. MONITORING

Detailed monitoring processes on behalf of the Trustee are managed by the T&B Investment Team and SECOR and overseen by the Investment Committee. They focus on the following key areas:

Strategic Asset Allocation Monitoring – monitoring focuses on (1) the appropriateness of the strategic asset allocation, (2) implementation consistent with the Investment Policy and (3) achievement of the Investment Objectives.

Operational Risk Monitoring - monitoring focuses on (1) outsourced services and (2) asset holding. Operational risks associated with the outsourcing of services are addressed through robust oversight processes by SECOR and the T&B Investment Team. Operational risks associated with the holding of assets are addressed through prudent third-party custody arrangements. The process is executed by BNY Mellon and undergoes ongoing review and monitoring by the T&B Investment Team.

Investment assets performance – SECOR, using in part information provided by BNY Mellon Asset Servicing Global Risk Solutions Group, monitors the performance of asset classes and managers, as well as the impact of Plan overlays and allocation decisions.

Responsible Investing Policy – SECOR monitors responsible investing that managers undertake and assesses this against the Trustee's Responsible Investing Policy.

11. RESPONSIBLE INVESTING POLICY

11.1 The Trustee has adopted a detailed Responsible Investing Policy.

11.2 The Trustee has demonstrated commitment to its responsible investing by becoming a signatory to the UN Principles for Responsible Investment.

11.3 The Trustee has adopted responsible investing beliefs to articulate the Trustee's views on responsible investing practices and to serve as a guide to implement the Responsible Investing Policy.

11.4 The Responsible Investing Beliefs are as follows:

(a) Responsible investing beliefs must be aligned with the Trustee's overall investment beliefs and its fiduciary duty to consider the best financial interests of the Plan's members.

(b) ESG factors (including climate-related risks and opportunities) can have a significant impact on the investment outcomes of the Plan.

(c) ESG factors (including climate-related risks and opportunities) impact security prices. The impact will vary significantly: over time, by asset class, industry, sector and geography.

(d) To make well-informed investment decisions we need to take account of ESG risks and opportunities (including climate-related risks and opportunities) which may not always be quantifiable.

(e) Engagement on climate change and other ESG topics is a more effective way to initiate change than excluding those issues. The Trustee is committed to adhering to exclusion policies as required by laws and regulations.

(f) The Trustee engages with managers on incorporating climate change and other ESG considerations in the management of their businesses and portfolios because those that embed such considerations into their culture and processes improve the likelihood of prolonged and successful operation.

11.5 The Trustee informed by the responsible investment beliefs considers that:

(a) ESG considerations should be incorporated into the selection, retention and realisation of investments to the extent that they enhance return or reduce risk;

(b) exclusion policies must be applied to ensure that the Plan's investments comply with law;

(c) the Trustee can undertake impact investing if the return and risk expectations are in alignment to the relevant asset class return and risk expectations; and

(d) no other ethical views (or views in relation to social and environmental impact and present or future quality of life) are taken into account in the selection, retention and realisation of investments.

11.6 Where the Plan's investment managers have been given discretion in relation to the selection, retention and disposal of investments, they are requested to consider (but are not obliged) to:

(a) take into account ESG factors in line with the Trustee's views on risk and return; and

(b) be a signatory to the UN Principles for Responsible Investment (PRI) or demonstrate a commitment to similar principles.

11.7 The Trustee considers that the exercise of rights attaching to investments and engagement with debt and equity issuers may have a long term positive impact on underlying investments.

11.8 The Trustee delegates stewardship and engagement matters to SECOR and the Plan's investment managers who undertake these activities on its behalf. They are requested (but are not obliged) to consider active ownership, the exercise of rights (including voting rights) attaching to investments, and engagement with debt and equity issuers and other relevant persons on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance).

11.9 The Plan's investment managers and SECOR are reviewed annually on their responsible investing activities (which includes ESG, stewardship and engagement activities).

12. ARRANGEMENTS WITH INVESTMENT MANAGERS

12.1 The trustees take the below considerations into account when selecting and monitoring performance of investment managers.

Policy area	Approach
Incentivising investment managers to align their investment strategy and decisions with the Trustee's Investment Policy.	Each manager mandate is chosen for a targeted asset class or factor exposure within the Plan's Investment Policy. Investment managers' investment and risk guidelines, including prescribed benchmarks and tracking error limits, help ensure that the investment manager does not deviate too far from the Plan's investment policy objectives in relation to the kinds of investments held, the balance between different kinds of investments, risks, including the ways in which risks are measured and managed, the

Policy area	Approach
	expected return on investments, the realisation of investments and financially material considerations. Moreover, the Plan typically employs a multi-manager framework for most asset classes which provide additional mitigation of any single manager being misaligned.
Incentivising investment managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity and to engage with those issuers to improve their medium to long-term performance.	Formal, annual reviews of investment managers seek to ensure that their investment approach is robust, long-term focused and sustainable. Furthermore, investment managers complete a compliance attestation confirming that they are acting in the best long-term interest of investors, including the Plan. An annual ESG questionnaire enables the Trustee to monitor the investment managers consideration of ESG and stewardship considerations. The Trustee does not take non-financial matters into account in the selection, retention and realisation of investments and does not incentivise managers in respect of non-financial performance.
Method and timescale for evaluating that investment managers' performance and fees align with the Trustee's investment policies.	Performance is reported net of fees. Performance is monitored and reported to the Trustee on a regular basis. SECOR conducts a detailed assessment of investment managers' performance and other factors annually. The Trustee understands the importance of assessing performance over longer time periods. Investment managers' fees are reported to the Trustee regularly and assessed during the broader, annual reviews.
Monitoring turnover costs incurred by investment managers. How the Trustee defines and monitors targeted portfolio turnover.	Portfolio turnover is monitored as part of annual review process. Costs associated with portfolio turnover are also considered as part of the assessment. The Trustee endeavours to assess these costs annually to confirm they align with the Trustees expectations. No specific ranges are set for acceptable portfolio turnover and their associated costs. However, the Trustee expects SECOR to highlight if these costs and charges appear unreasonable when they are collected.
The length of arrangements with investment managers.	There is no policy on the length of arrangements with investment managers. A range of factors are considered when assessing an investment manager, including: people, process, performance, price and fit within the investment strategy. The length of the arrangement with an investment manager is not deemed a relevant factor in evaluating whether a manager can achieve the objectives required under the investment strategy.

12.2 The Trustee maintains a policy implementation document which includes more details on the implementation of its investment policies including the oversight of investment manage.

Signed: Signature removed for online version

For and on behalf of

Mars Pension Trustees Limited

Date: 13 July 2023