

Mowlem (1993) Pension Scheme

Statement of Investment Principles – November 2023

1. Introduction

The purpose of the Statement of Investment Principles (“the Statement”) is to document the principles and policies governing decisions about the investment of the assets of the Mowlem (1993) Pension Scheme (“the Scheme”). This Statement has been prepared by Independent Trustee Services Ltd in its capacity as Trustee of the Scheme (“the Trustee”). It sets out the Trustee’s policy for complying with the Pensions Act 1995, the Occupational Pension Scheme (Investment) Regulations 2005 and any subsequent legislation, and is adopted with effect from November 2023.

The Trustee has received written advice from the Scheme’s investment consultant, Mercer Limited (“Mercer”) which is regulated by the Financial Conduct Authority (“FCA”) in relation to investment services.

The Scheme is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee’s investment powers. The investment powers do not conflict with this Statement.

Mercer has confirmed in writing to the Trustee that it has the appropriate knowledge and experience to give the advice required by Section 35(5) of the Pensions Act 1995, the Occupational Pension Scheme (Investment) Regulations 2005 and any relevant subsequent legislation. Such advice is consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustee does not expect to revise this statement frequently because it covers broad principles rather than their implementation. The Trustee will review it at least once every three years and without delay upon a material change to the Scheme or the Company. The Scheme entered a Pension Protection Fund (the “PPF”) assessment period on 2 February 2018 for assessing the Scheme’s eligibility to enter the PPF. While the assessment takes place, the Trustee retains day-to-day responsibility for the Scheme. During this period the Trustee shared details of the investment strategy changes with representatives of the PPF.

In October 2020, the Scheme invested in a buy-in policy with an insurer, covering all Scheme members. Further details are provided in section 2.2.

2. Decision Making Structure

2.1 Overall investment policy falls into two parts:

- a) The *strategic management* of the assets is fundamentally the responsibility of the Trustee acting on expert advice and is driven by the investment objectives as set out below. The Trustee reviews the investment policy on a regular basis, although it is not expected to change frequently. Details are set out in Section 3.
- b) The *implementation* of the investment policy is largely delegated to the Trustee's selected investment managers and insurers. Details are outlined in Section 2.2 below.

2.2 Arrangements with investment managers and insurers

The Trustee, after considering appropriate investment advice, have invested the majority of the assets of the Scheme in a buy-in policy with an insurer, Legal and General Assurance Society Limited ("LGAS"). The buy-in policy covers all members of the Scheme and, under the terms of the contract, LGAS pay the Scheme the insured benefit payments each month, which cover the benefit payments made by the Scheme to its members.

The Trustee understands it has no ability to determine or influence the assets in which LGAS invest.

LGAS is authorised and regulated by the FCA and Prudential Regulatory Authority ("PRA").

LGAS does not receive ongoing remuneration from the Scheme; instead the premiums paid for the buy-in policy covers the insurer's expected fees. The Trustee is satisfied that this is the most appropriate basis for remunerating the insurer and is consistent with the Trustee policies as set out in this Statement.

The Scheme also has a cash reserve which is being held to cover potential Scheme expenses which may occur during the PPF Assessment period. The cash reserve is invested in the Legal & General Investment Management Limited ("LGIM") Sterling Liquidity Fund which invests in a range of money market instruments. The cash reserve is expected to reduce over time as Scheme expenses are met.

3. Investment Policy

3.1 Investment Objectives

Following the commencement of the PPF assessment period on 2 February 2018, the Trustee reviewed their investment objectives in consultation with the PPF, and took advice from their Investment Consultant. As the Scheme no longer has the financial support of the Sponsoring Employer, the Trustee decided to reorganise the assets to be consistent with the PPF's guidelines (in terms of expected risk and return on the Scheme's investments) for schemes in an assessment period. The transition of assets took place in stages over 2018 and 2019. The Trustee also decided to reduce risk further in H1 2020, following advice from their Investment Consultant, ahead of investing in a buy-in policy in October 2020. The Trustee is currently exploring the possibility of converting the buy-in policy to a buy-out policy with LGAS.

3.2 Policy with regard to Managing Risk

The Trustee is aware and seeks to take account of the risks in relation to the Scheme's investments.

Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk of the Scheme's Insurance Provider

- The principal risk facing the Trustee and Scheme members is that the insurance provider (LGAS) may default on its obligations under its annuity policy.
- Before entering into this contract, the Trustee obtained and carefully considered professional advice regarding the financial strength of the insurer, and concluded that the risk was acceptably low.

3.3 Investment Strategy

The Trustee has determined their investment strategy after considering the Scheme's liability profile, its own appetite for risk, and the views of the PPF. The Trustee has also received written advice from their Investment Consultant.

The basis of the Scheme's strategy is to broadly hedge 100% of the risks within the Scheme by investing in a buy-in policy covering all Scheme members.

The Scheme is classified under the regulations as a Wholly Insured Scheme, as a result of the buy-in policy held.

A Wholly Insured Scheme is defined as being a trust scheme, other than a stakeholder pension scheme within the meaning of section 1 of the Welfare Reform and Pensions Act 1999 F1 (meaning of "stakeholder pension scheme"), which has no investments other than specified qualifying insurance policies.

The Trustee considers it appropriate for the Scheme to be a Wholly Insured Scheme because:

- The buy-in policy insures the benefits of all Scheme members.
- Having this contract and investment holdings reduces the governance burden for the Trustee.

4. Monitoring of Investment Managers and Adviser

LGAS takes full responsibility of the investment decisions within the buy-in policy.

The Trustee will continue to review the appropriateness of the LGIM Sterling Liquidity Fund in which the Scheme's cash reserve is currently invested.

The Trustee continually assesses and reviews the performance of their adviser in a qualitative way as appropriate and put in place specific objectives before requesting investment advice.

5. Compliance and Review of Statement

The Scheme's Statement of Investment Principles is available to members on request.

This Statement supersedes all others and was approved by the Trustee in November 2023.

The Trustee will review this Statement from time-to-time on the advice of Mercer.

In line with the Occupational Pension Schemes (Investment) Regulations (2005), the Trustee is required to review the Statement at least every three years and without delay after any significant changes in investment policy.

The Trustee will review this Statement in response to any material changes to any aspects of the Scheme.

Independent Trustee Services Ltd

November 2023