

Keepmoat Pension Plan

Statement of Investment Principles

Barnett Waddingham LLP

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Keepmoat Pension Plan (the Plan). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
 - the Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023.
- 1.2. In preparing this statement the Trustee has consulted Keepmoat Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustee are set out in Clause 13 and 14 of the Definitive Trust Deed & Rules, dated 3 April 1992. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustee carefully considers its investment objectives, shown in section 3.2 of this statement, when designing the range of investment options to offer its members. The Trustee also acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile of the Plan.
- 2.2. The Trustee's policy is to offer a default investment arrangement suitable for the Plan's membership profile plus a core range of investment funds into which members can choose to invest their contributions and those contributions made by the employer(s). In doing so, the Trustee considers the advice of its professional advisers, whom it considers to be suitably qualified and experienced for this role.
- 2.3. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in the Appendix to this statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.4. The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to

performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Plan's membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out below.

3.2. The Trustee's main investment objectives are:

- to provide a suitable default investment option that is likely to be suitable for a typical member;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots; and
- to reduce the risk of the assets failing to meet projected retirement income levels.

3.3. The Trustee is responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

4. Kinds of investments to be held

4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

5. The balance between different kinds of investments

5.1. Members can choose to invest in any of the funds detailed in the Appendix or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in the Appendix.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the investment strategy and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this statement.

5.3. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation will be expected to change as the membership profile evolves.

6. Risks

6.1. Investment risk lies with the members themselves. The Trustee has considered a number of risks when designing and providing suitable investment choices to members. A more comprehensive list of risks is set out in the Trustee's risk register, however, the main investment risks affecting all members are:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangement made available to members (see Appendix), the Trustee increases the proportion of assets that more closely match how they expect members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategy.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the fund range offered to members to ensure member outcomes can be maximised, whilst providing communication to members from time to time.
Investment manager risk	The Trustee monitors the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration/market risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	Members' retirement savings will be denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging may be employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors on these matters, whom it deems to be

appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

- 7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities.
- 7.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions. The Trustee meets the Plan's investment managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

- 8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.
- 8.2. This includes the Trustee's policy on illiquid investments within the default investment strategy. The Trustee is required by regulations to ensure that it has considered all investment opportunities available to achieve best value for the Plan's members. This includes investment in illiquid assets such as private equity, infrastructure and real estate. The Trustee has not made a strategic allocation to unlisted assets within the default investment strategy. Based on the governance budget and future direction of the Plan, the Trustee believes that the decision on whether to allocate to illiquid assets is best delegated to its investment managers (specifically the diversified growth fund manager to the extent it is able to do so).

9. Financially material considerations

- 9.1. There are a wide range of factors which may be financially material over the investment time horizon of the Plan, including many environmental, social and governance (ESG) factors. In particular, climate changes poses a key systemic risk to many investments.
- 9.2. The Trustee believes that ESG factors should be considered alongside other material factors, including but not limited to historical performance and fees.
- 9.3. As the Plan's investments are held in pooled funds, ESG considerations are managed by each of the investment managers.
- 9.4. Where the Trustee engages the services of an active manager, the Trustee will consider the manager's ability to assess ESG risks as part of the manager selection process. Where the Trustee engages a manager to track an index, the Trustee will consider ESG risks as part of the selection of the index. In both cases ESG risks will be considered alongside other material factors, including but not limited to historical performance or fees.

10. Non-financial matters

- 10.1. The Trustee does not currently take account of non-financial matters (such as members' ethical views) when selecting the Plan's investments. If a significant number of members expresses to the Trustee a desire to incorporate their views into the investment choices then the Trustee may take members' views into account.

11. Engagement and Voting Rights

Exercise of rights

- 11.1. The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee delegates the exercise of rights (including voting rights) attached to the Plan's investments to investment managers, who are signatories of the UK Stewardship code or equivalent. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.
- 11.2. The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.
- 11.3. Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Engagement on relevant matters

- 11.4. The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
- 11.5. The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.
- 11.6. The Trustee considers it to be a part of their investment manager's role to assess and monitor developments in the capital structure for each of the companies in which the manager invests as part of the pooled funds in which the Plan holds units.
- 11.7. The Trustee also considers it to be part of their investment manager's role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular

climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Plan.

- 11.8. Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.
- 11.9. The Plan's investment manager is granted full discretion over whether or not to hold the equity, debt or other investment in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.
- 11.10. The Plan's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.
- 11.11. The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.
- 11.12. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

12. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

- 12.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.
- 12.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 12.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustee monitors the investment manager's approach to ESG and climate related risks on an annual basis.
- 12.4. In the event that the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment manager has been informed of this by the Trustee.
- 12.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 12.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.
- 12.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 12.8. The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Trustee monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 12.9. The Trustee monitors the performance of their investment managers over medium to long time periods that are consistent with the Trustee's investment aims, beliefs and constraints.
- 12.10. The Plan invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Plan's investment manager are contained in the Appendix.
- 12.11. The Trustee believes that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 12.12. The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Plan's default investment strategy.

Portfolio turnover costs

- 12.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance the Plan's investments. Overall performance as well as transaction costs is assessed as part of the half-yearly investment monitoring process.
- 12.14. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset manager

- 12.15. For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.
- 12.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

13. Monitoring

- 13.1. **Investment performance:** The Trustee reviews the performance of each investment option offered through the Plan against the stated performance objective and, in doing this, the Trustee receives a performance monitoring report on a regular basis. The monitoring considers both short-term and long-term performance. The investment manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.
- 13.2. **Objectives:** The Trustee monitors the suitability of the objectives for the Plan (as detailed in section 3.2) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.
- 13.3. **Investment choices:** the Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

14. Agreement

- 14.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, and the Plan auditor upon request.

This Statement of Investment Principles was approved by the Trustee of the Keepmoat Pension Plan on 7 December 2023

Appendix 1

Note on investment policy of the Plan in relation to the current Statement of Investment Principles dated December 2023

1. The balance between different kinds of investment

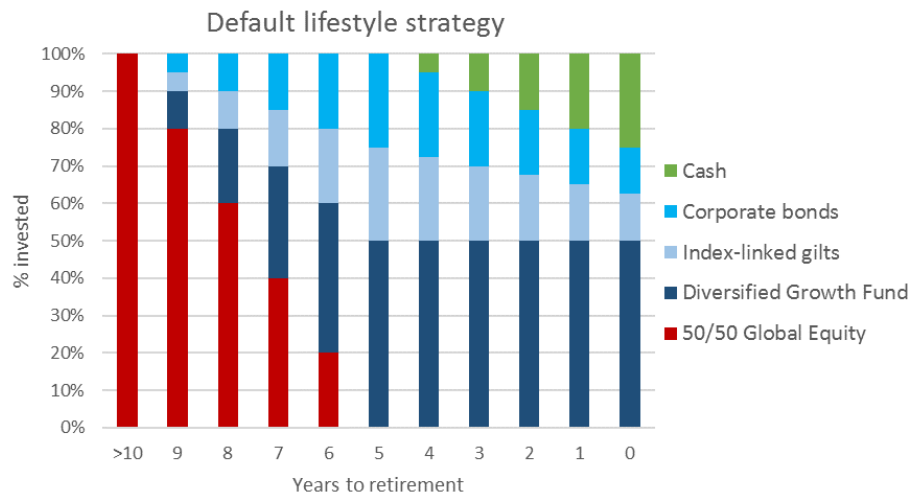
The Trustee has made available a range of funds to suit the individual needs of the Plan's members. For example, an equity fund is available for those members willing to accept a greater level of risk in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely risk of the equity funds.

Alternatively, the Trustee has made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

The lifestyle arrangement is constructed from some of the funds mentioned above that are offered to members wanting to manage their own asset allocation decisions.

2. Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, having analysed the Plan's membership profile, the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries



An analysis of projected pot sizes indicated that active members of the Plan are likely to view drawdown as a suitable route for accessing their pension savings, whilst deferred members are more likely to take a cash lump sum. Therefore, whilst capital preservation is important in the design of the above default investment strategy, it is important to target inflation-protected growth as pension savings will need to extend many years into the future.

The policies made in the main body of this Statement of Investment Principles apply to the default arrangement.

3. Choosing investments

The Trustee has appointed Legal & General Investment Management (“LGIM”) to carry out the day-to-day investment of the Plan. They are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each of the funds offered to members are given below:

Fund	Benchmark	Objective
LGIM Global Equity Fixed Weights (50:50) Index Fund	Composite of underlying geographical benchmarks	The Fund aims to capture the sterling total returns of the UK and overseas equity markets, as represented by the FTSE All-Share Index in the UK and appropriate sub-divisions of the FTSE All World Index overseas. A 50/50 distribution between UK and overseas assets is maintained with the overseas distribution held in fixed weights in Europe (ex-UK) 17.5%, North America 17.5%, Japan 8.75%, and Asia Pacific (ex-Japan) 6.25%.
LGIM Dynamic Diversified Fund	Composite	The Fund has a long-term return objective of the Bank of England Base Rate +4.5% per annum, over a full market cycle.
LGIM All Stocks Index-Linked Gilts Index Fund	FTSE A Index-Linked (All Stocks) Index	The Fund aims to track the sterling total return of the benchmark to within +/- 0.25% p.a. for two years in three
LGIM Investment Grade Corporate Bond – All Stocks – Index Fund	Markit iBoxx £ Non-Gilts All Stocks Index	The Fund aims to track the sterling total return of the benchmark to within +/- 0.50% p.a. for two years in three
LGIM Cash Fund	SONIA	The Fund aims to perform in line with SONIA (Sterling Overnight Index Average), without incurring excessive risk

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

4. Environmental, Social and Governance factors

The Plan currently invests mainly in passive funds with a market capitalisation weighted (“market-cap”) index. The Dynamic Diversified Fund has an element of active decision making in setting the asset allocation, however the underlying funds are also largely passive. This provides members with investments which are simple to understand and straightforward to monitor, as well as incurring low charges for members.

The Trustee accepts that when investing in a market-cap index, there is little that the manager can do to allow for ESG considerations within the investment process selecting stocks. However, the Trustee believes that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustee looks to the investment manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company.

The Trustee considers Legal & General to be market leading in its approach to ESG engagement with investee companies. The Trustee will regularly review the performance of Legal & General in this regard.

5. Fee agreements

The fee arrangements with the investment manager is summarised below:

Fund	Annual management charges (% p.a.)
LGIM Global Equity Fixed Weights (50:50) Index Fund	0.165
LGIM Dynamic Diversified Fund	0.380
LGIM All Stocks Index-Linked Gilts Index Fund	0.100
LGIM Investment Grade Corporate Bond – All Stocks – Index Fund	0.150
LGIM Cash Fund	0.125