The Persimmon plc Pension & Life Assurance Scheme
("the Scheme")
Statement of Investment Principles

Investment Objective
The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

STRATEGY

The current **planned asset allocation strategy** chosen to meet the objective above is to invest in the following asset classes within the ranges shown:

Asset Class	Range %
Global Equities	5 to 15
Bonds*	60 to 85
Cash	0 to 15
Alternatives**	0 to 15

*** Including Government Bonds (consisting of fixed gilts and index-linked gilts) and Investment Grade Credit**
**** Including active currency, absolute return funds, infrastructure or private equity**

Within the bonds, the Trustee holds an interest in a Scottish Limited Partnership Agreement ("SLPA") which provides an annual stream of income for the Scheme that is collateralised predominately by a portfolio of equity share mortgages (as at 31 December 2022 this represented around 4.6% of the Scheme's assets).

The Trustee will monitor the actual asset allocation versus the central weightings at regular intervals. In the event that the investments fall outside of the above ranges for a period of more than 6 months, the Trustee will consider whether to take corrective action.

In choosing the Scheme's planned asset allocation strategy, it is the Trustee's policy to consider:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee's policy is to make the assumption that equities will outperform gilts and bonds over the long term. However, the Trustee recognises the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. *The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.*

RISK

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the fund managers and on a regular basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Performance versus the Scheme benchmark.
- Performance of individual fund managers versus their respective benchmarks.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee and to the investment sub committee of the Trustee (the "Investment Committee"). Aon operates under an agreement to provide a service which ensures the Trustee and Investment Committee are fully briefed to take decisions themselves and to monitor those they delegate. Aon is paid partly on an agreed annual fee basis for routine items and partly on a time-cost basis for exceptional items. This structure has been chosen to ensure that cost-effective, independent advice is received.

Fund Managers have been appointed to implement the Trustee's asset allocation strategy. The structure and investment objectives for each fund manager ("mandates") are as follows:

C Worldwide Global Equity Fund The investment objective is to achieve long-term capital growth exceeding the return of the market with a moderate risk profile as measured by standard deviation.	**Lazard Global Listed Infrastructure Equity Fund** To achieve, over the long-term, total returns comprising income and capital appreciation.
Legal & General Investment Management Over 15 Year Gilts Index Fund Investment objective is to track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.	**Legal & General Investment Management Index-Linked Gilts Over 5 Years** Investment objective is to track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index to within +/- 0.25% p.a. for two years out of three.
Troy Asset Management - Trojan Fund The Trojan fund is a multi-asset fund which aims to generate absolute returns by providing long-term income growth and capital preservation.	**Fidelity - Institutional Liquidity Fund** Investment objective is to maintain capital value whilst producing a return to the investor in excess of the rolling 7 day LIBID.
Legal & General Investment Management Maturing Buy & Maintain Credit Fund 2025-2029 To capture the return received as a result of taking credit risk through investing principally in a diversified portfolio of non-government bonds.	

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager.

The Scheme has legacy AVC arrangements with Standard Life Assurance Limited and Scottish Widows. All AVC arrangements are closed to further contributions. The Trustee periodically reviews the investment options offered through these arrangements (with advice from their advisers).

In addition, the Trustee has received legal advice that its interest in the SLPA does not constitute an employer-related investment for the purposes of the Pensions Act 1995.

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee Board takes some decisions itself and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee Board has taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee
• Set structures and processes for carrying out their role
• Select and monitor planned asset allocation strategy
• Appoint Investment Committee
• Consider recommendations from the Investment Committee including:
  • Selecting direct investments
  • Selecting fund managers
  • Selecting investment advisers
	Investment Committee
	• Make recommendations to the Trustee on
	  • selection of investment advisers and fund managers
	  • structure for implementing investment strategy
	• Monitor investment advisers and fund managers
	• Monitor direct investments
	• Make ongoing recommendations relevant to the operational principles of the Scheme's investment strategy

Investment Adviser • Advises on all aspects of the investment of the Scheme assets, including implementation • Advises on this statement • Provides required training	**Fund Managers** • Operate within the terms of this statement and their written contracts • Select individual investments with regard to their suitability and diversification • Advise the Trustee on the suitability of the indices in their benchmark

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Scheme's fund managers are remunerated as follows:

Fund	**Management Fee (%) p.a.**
Legal & General Index-Linked Gilts Over 5 Years Fund and Legal & General Over 15 Year Gilts Index Fund	Tiered Base Fee based on AUM: 0.10% p.a. on the first £5m, plus 0.08% p.a. on the next £5m, plus 0.05% p.a. on the next £20m, plus 0.03% p.a. on the remaining balance
Troy Trojan Fund	Base Fee: 0.85% p.a.
Fidelity Cash	Base Fee: 0.15% p.a.
C Worldwide Global Equities Fund	Base Fee: 0.35% p.a.
Lazard Global Listed Infrastructure Equity Fund	Base Fee 0.85% p.a.
Legal & General Maturing Buy & Maintain Credit Fund 2025-2029	Base Fee: 0.12% p.a.

Fund managers are remunerated on an ad valorem basis. The level of remuneration paid to fund managers is reviewed regularly by the Trustee against market rates to ensure the fund managers' interests are aligned with those of the Scheme.

The Trustee will review this SIP annually and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Arrangements with Fund Managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustee's policies. This includes monitoring the extent to which fund managers:

- Make decisions based on assessments about medium to long-term financial performance and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives at least quarterly reports and verbal updates from the investment advisor on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the fund managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its fund managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the fund managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the fund managers by other means (where necessary), and regular monitoring of fund managers' performance and investment strategy, is in most cases sufficient to incentivise the fund managers to make decisions that align with Trustee's policies and are based on assessments of medium and long-term financial and non-financial performance.

Where fund managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment all for fund managers will be reviewed periodically, and at least every three years.

Asset Manager remuneration and costs

The Trustee is aware of the importance of monitoring their fund managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its fund managers that can increase the overall cost incurred by its investments.

On an annual basis the Trustee asks its fund managers to provide full cost transparency data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its fund managers. The Trustee works with its investment adviser and fund managers to understand these costs in more detail where required.

The Trustee expects all of its investment managers to offer full cost transparency via industry standard templates. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Scheme's underlying investments through the information provided by its fund managers. The portfolio turnover is monitored annually with the assistance of the Scheme's investment adviser.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee evaluates the performance of its fund managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the fund managers. The Trustee also reviews the remuneration of the Scheme's fund managers on at least a triennial basis to assess value for money and to ensure that these costs are reasonable in the context of the kind and balance of investments held.

RESPONSIBLE INVESTMENT

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly.

The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme's appointed fund managers and takes advice from its investment advisor with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed fund managers. If an incumbent asset manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the fund manager.

The Trustee has delegated all voting and engagement activities to the Scheme's fund managers. The Trustee accepts responsibility for how the managers steward assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies on an annual basis to ensure they are in line with the Trustee's expectations and in members' best interests. Prospective investment managers are also required to provide this information for the Trustee to review in advance of any new appointment.

The Trustee expects transparency from its fund managers on their voting and engagement activity. The Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement and voting actions. Where voting is concerned, the Trustee expects fund managers to, where relevant, provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action, the ultimate outcome and the processes for escalating unsuccessful engagements. This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders.

The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage, via different medium such as emails and meetings, with those managers to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors" in the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018).

Date: September 2023