

The Prowting Pension Scheme
("the Scheme")
Statement of Investment Principles

Investment Objective

The Trustees invest the assets of the Scheme prudently to aim to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees 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 reduce risk and maintain a prudent approach to meeting the Scheme's liabilities, taking into account the Scheme's funding position.

STRATEGY

The current **planned asset allocation strategy** chosen to meet the objective above is to invest 100% in bond like assets, in the following asset classes within the ranges shown:

Asset Class	Range %
Government Bonds*	70 to 90
Corporate Bonds and senior loans**	5 to 20
Cash	Up to 10

* Including fixed gilts and index linked gilts

** Including investment grade and senior secured loans

The Trustees recognise that the split between the asset classes will vary from the central allocation from time to time due to market movements. Hence the actual asset allocation may differ from the planned asset allocation set by the Trustees.

It is the Trustees' intention to monitor the actual asset allocation at regular intervals and will take action to rebalance the Scheme's investments (by means of new monies or otherwise as determined by the Trustees). The Trustees will also monitor the changing liability structure of the Scheme and keep the long term investment strategy under review.

The planned asset allocation strategy was set following advice from the Trustees' investment advisers. The Trustees also consulted with the sponsoring employer. In choosing the Scheme's planned asset allocation strategy, it is the Trustees' 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.

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 Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

RISK

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have 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 failure to spread investment risk ("asset allocation risk"). The Trustees 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 Trustees 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 failure by the fund managers to achieve the rate of investment return on Scheme assets assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on a regular basis thereafter.
- The risk of mismatching the Scheme assets to the Scheme's liabilities if there were significant changes in financial factors or the Scheme's demographics (mismatching risk).
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees 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 risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have 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 Trustees consider 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 two fund managers, the Trustees' policy is to monitor, where possible, these risks quarterly. The Trustees receive reports quarterly showing:

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

IMPLEMENTATION

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

The fund manager structure and investment objectives for each mandate are as follows:

Fund	Benchmark	Objective
<u>Legal & General</u> - Over 5y Index-Linked Gilts Index Fund	FTSE A Index-Linked > 5 Years	Track the benchmark to within +/-0.25% p.a. for two in three years
<u>Legal & General</u> Over 15y Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Track the performance to within +/-0.25% p.a. for two years out of three.
<u>Legal & General</u> - Cash Fund	7 Day LIBID –	To perform in line with 7 Day LIBID, without incurring excessive risk.
<u>Barings</u> - European Loans Fund	Credit Suisse Institutional Western European Leveraged Loan Index.	To generate a positive absolute performance and to outperform the Credit Suisse Institutional Western Europe Leveraged Loan Index.

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

GOVERNANCE

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

<p>Trustees</p> <ul style="list-style-type: none"> • Set structures and processes for carrying out their role • Select and monitor planned asset allocation strategy • Appoint Investment Committee to make recommendations • Consider recommendations from the Investment Committee including: <ul style="list-style-type: none"> • Selecting direct investments • Selecting fund managers • Selecting investment advisers 	<p>Investment Committee</p> <ul style="list-style-type: none"> • Make recommendations to Trustees on <ul style="list-style-type: none"> • 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
<p>Investment Adviser</p> <ul style="list-style-type: none"> • Advises on all aspects of the investment of the Scheme assets, including implementation • Advises on this statement • Provides required training 	<p>Fund Managers</p> <ul style="list-style-type: none"> • Operate within the terms of this statement and their written contracts • Select individual investments with regard to their suitability and diversification • Advise Trustees 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 Trustees' policy is to review their direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees 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 Trustees (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 Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect 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:

Legal & General Investment Management

Fund	Management Fee (%) p.a.
Over 5y Index-Linked Gilts Index Fund	0.05
Over 15y Gilts Index Fund	0.05
Cash Fund	0.125 on first £5m

Barings

Fund	Management Fee (%) p.a.
European Loans Fund	0.60

The charges consist of an ad valorem charge based on the average value of the Scheme's holdings over the period, according to scales detailed above.

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

Arrangements with Fund Managers

The Trustees regularly monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustees' 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 Trustees are supported in this monitoring activity by their investment adviser.

The Trustees receive at least quarterly reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus 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 Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their fund managers, which supports the Trustees 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 Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees 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 Trustees will express their expectations to the fund managers by other means (such as through a side letter, in writing, or verbally at Trustees' meetings).

The Trustees believe 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 Trustees' 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 Trustees' policies, expectations, or the other considerations set out above, the Trustees 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 Trustees are 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 Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their fund managers that can increase the overall cost incurred by their investments.

On an annual basis the Trustees ask their 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 Trustees to understand exactly what

they are paying their fund managers. The Trustees work with their investment adviser and fund managers to understand these costs in more detail where required.

The Trustees expect all of their 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 Trustees are 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 their fund managers. The portfolio turnover is monitored annually with the assistance of the Scheme's investment adviser.

The Trustees accept 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 Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees evaluate the performance of their fund managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the fund managers. The Trustees also review 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 Trustees' 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 Trustees consider this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their 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 Trustees regularly review the suitability of the Scheme's appointed fund managers and takes advice from their investment adviser 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 Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the fund manager.

The Trustees review the stewardship activities of their fund managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Scheme's fund managers and ensure their fund managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustees expect transparency from their fund managers on their voting and engagement activity. Where voting is concerned, the Trustees expect 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.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they 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 Trustees 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.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustees do 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).

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