WILLIAM KENYON & SONS LIMITED SUPERANNUATION AND LIFE ASSURANCE SCHEME

TRUSTEES' STATEMENT OF INVESTMENT PRINCIPLES

OCTOBER 2025

1. Introduction

This is the statement of investment principles (SIP) of the William Kenyon & Sons Limited Superannuation and Life Assurance Scheme ("the Scheme") adopted by the trustees to comply with sections 35 and 36 of the Pensions Act 1995 and with the Occupational Pension Schemes (Investment) Regulations 2005. The statement has been adopted after obtaining and considering written advice from Gallagher Benefit Services ("Gallagher", the investment adviser to the trustees and formerly known as Buck Consultants) and consulting Castlefield Investment Partners LLP ("Castlefield", the trustees' investment manager), the Scheme Actuary and the sponsoring employer, William Kenyon & Sons Limited.

The purpose of the SIP is to explain the policies of the trustees concerning:

- the management of investment risk;
- the kinds of investments to be held;
- the suitability of investments, both as a kind and specifically;
- the balance between different kinds of investments;
- the appropriate diversification of investments;
- the expected return on investments;
- the realisation of investments;
- the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
- the extent (if at all) to which other non-financial matters are taken into account in the selection, retention and realisation of investments.

The trustees are given wide powers to invest the Scheme's assets under Section 6.2 of the Scheme's Constitutional Rules adopted on 8th June 2016.

The trustees have decided that strategic decisions on investments will be taken by the trustee body as a whole (after taking formal advice from Gallagher, seeking comment from Castlefield, and consulting the Scheme Actuary) and shall not be delegated to any other person or group of people.

2. The Scheme's characteristics

The Scheme is a defined benefit occupational pension arrangement which provides pensions and lump sums. The Scheme was closed to further benefit accrual with effect from 1st July 2009.

For deferred members, the part of the pension in excess of the guaranteed minimum pension (GMP) is increased in the period from the date of leaving pensionable service up to retirement in line with increases in the retail price index (RPI), with a maximum of 5% per annum.

Once in payment, pension in excess of GMP accrued before 6 April 1997 increases at 3% per annum. Pension accrued after 5 April 1997 increases in line with RPI, with a minimum of 3% and a maximum of 5% per annum.

The last actuarial valuation of the Scheme was carried out as at 31 March 2023.

The split of the liabilities ("Technical Provisions") on the going concern basis was:

	%
Deferred members	47
Pensioners (secured by bulk annuity)	33
Pensioners (not secured by bulk annuity)	20
	100

The Scheme's funding level was 95%.

3. Consultation with the employer

Section 35 of the Pensions Act 1995 requires the trustees to consult the sponsoring employer before preparing or revising the Scheme's statement of investment principles. The employer has reviewed a draft of this statement and signed the final version.

4. Investment advisers and managers

The trustees have selected Gallagher as the Scheme's investment adviser. The trustees have agreed formal objectives with Gallagher and these are reviewed regularly as necessary.

The trustees have selected Castlefield as the Scheme's investment manager. The trustees have entered into an agreement with Castlefield to implement the investment strategy, and provide day-to-day management of the Scheme's asset portfolio, i.e. its assets excluding the bulk annuity contract (see below).

In the case of both investment advisers and managers, the trustees do not in general enter into fixed long-term agreements but rather retain the ability to change their advisers or managers should their performance or processes deviate from the trustees' policies. However, the trustees expect these appointments to have a relatively long duration, subject to ongoing satisfactory performance against agreed objectives.

The trustees own a bulk annuity contract. This is provided by Rothesay Life plc and administered on behalf of Rothesay by Aptia UK Limited.

5. Investment objective

The trustees purchased a bulk annuity contract to match the large majority of the Scheme's pensions-in-payment liabilities as at September 2010.

The trustees have set the objective of purchasing a further bulk annuity contract to insure the Scheme's remaining uninsured liabilities, which are made up of pensions which have come into payment since 2010 and the future benefits of deferred members. The intention is to undertake this transaction within the next 1 to 2 years and then proceed to a full buy-out of the Scheme. For the time being, the investment approach being taken is to minimise the risk of mismatching between the Scheme's assets and the expected cost of insuring its liabilities, while targeting some modest outperformance in comparison with a 'risk-free' gilt benchmark of an appropriate duration.

The trustees and the sponsoring employer recognise that further funding from the employer is likely to be necessary to bridge whatever funding gap exists when the decision is made, between them, to proceed with the planned buy-in transaction.

The current objective is, therefore, focused on minimising risk and the investment strategy set to meet this objective necessarily reflects this approach.

6. Investment strategy

The trustees have set the overall asset allocation strategy in consultation with Gallagher. The strategy specifies the categories of assets to be held and the target proportion of each category. In some cases, particular assets have been specified. Castlefield have then been instructed to construct a portfolio to implement the strategy.

The Scheme's portfolio is invested in three asset categories: fixed gilts, index-linked gilts and long dated corporate bonds.

Specific fixed and index-linked gilts, with a target allocation for each, have been selected by the trustees on the advice of Gallagher, with the aim of minimising both interest rate and inflation risk. No active management is required for these assets.

There is, however, flexibility in the choice of corporate bond funds to be used and Castlefield is responsible for selecting appropriate funds to meet the performance objective agreed with the trustees, on the advice of Gallagher.

The trustees in consultation with Gallagher will from time to time review the actual asset allocations against their targets to ensure that the portfolio continues to support the investment objective. The trustees will instruct Castlefield to rebalance the asset allocation as necessary.

Pensions which are not covered by the existing bulk annuity contract are paid out of the Scheme's income. Income generated from the portfolio is available as necessary to fund pension and lump sum payments. The trustees regularly review the Scheme’s cash flow requirements. There may also be a need from time to time for the remittance of capital from the portfolio. Any such disinvestments, and any consequent rebalancing of the remaining assets, will be agreed between the trustees and Castlefield as appropriate.

7. Performance objectives

The performance objective over the next 1 to 2 years for the investments, representing the asset allocation strategy advised by Gallagher and implemented via the portfolio overseen and managed by Castlefield, is to match the return from a representative gilt of the most similar duration to the target duration of the portfolio as a whole plus 1%. The targeted outperformance over gilts is being sought via partial investment in a selection of long dated corporate bond funds.

The current asset allocation and performance objectives are shown in the table below.

Asset Class	Target Allocation 2025	Indices
Corporate bonds	50%	ICE BoA 10+ Year GBP Non-Gilt GBP-Hedged Total Return Index

2071 fixed interest gilt	19%	N/A
January 2038 fixed interest gilt	17%	N/A
2042 index-linked gilt	5%	N/A
2055 index-linked gilt	9%	N/A
Cash	0%	N/A

8. Risks

The trustees have identified, and set the investment policy to take account of, the following risks to which the Scheme is or could be subject:

- mismatching of assets in relation to liabilities. This risk is measured by obtaining information from Gallagher and the Scheme Actuary on the theoretical matching assets, and is managed by taking account of such information when making investment decisions regarding the strategy to be adopted.

- underperformance of the assets relative to the expected rate of investment returns. This risk is measured and managed based on the approach described in the previous section.

- currency fluctuations. This risk is measured and managed by keeping under review the extent to which the underlying investments are denominated in currencies other than pounds sterling and by limiting the degree to which assets are exposed to markets with volatile currencies.

- being forced to sell investments to pay benefits in unfavourable financial market conditions. This risk is measured and managed by ongoing review of the Scheme's cash flow requirements, by holding a broad range of highly liquid holdings from which to divest and by requesting additional contributions from the sponsoring employer.

- the inability or unwillingness of the sponsoring employer to make adequate contributions to the Scheme. This risk is mitigated by consulting regularly with the employer, by monitoring its financial position and by obtaining such assurances from the employer as the trustees feel are appropriate and necessary.

- custodian failure or dishonesty. This risk is managed by appointing a recognised, regulated custodian bank, subject to external verification of its operating procedures.

- bulk annuity provider failure or misadministration. This risk is managed by having purchased a policy from a fully regulated insurer, previously vetted by the Scheme's pension advisers. The risk of administrative error is specifically mitigated by the Scheme administrator's continuing control of payments to members and of the collection and verification of pensioner data.

9. Socially responsible investment and voting policy

The trustees employ the services of an investment manager for the selection, retention and realisation of Scheme assets. The trustees recognise the requirement to take into account all relevant financially material considerations, including environmental, social and governance (ESG) factors, as part of that analysis and decision-making process for the Scheme assets and require the investment manager to implement and explain how this is carried out. These policies are subject to regular review.

Castlefield generally employs a proprietary responsible investment process in order to meet this obligation for its clients. This process considers environmental, social and governance (ESG) factors alongside traditional business and financial metrics when making investment decisions.

Castlefield's view is that ESG factors are non-financial risks that have the potential to develop into financial risks and thereby impair capital value if they do develop in that way. Incorporating such considerations is therefore seen as potentially reducing the risk associated with a scheme's portfolio. These ESG factors are generally taken into account ahead of investment and their evolution is subsequently monitored during the holding period. Changes in Castlefield's assessment of these factors may influence any decision to realise an investment.

To date, the trustees have not imposed specific exclusions, on purely 'ethical' grounds, on Castlefield. However, Castlefield has had the ability to exclude or include specific investments based on an assessment of their sustainability. Castlefield defines sustainable activities as those considered necessary to ensure the long-term continuity of an activity, system, society or enterprise. This ability to exclude or include investments is typically implemented in line with the objective of ensuring that a scheme's portfolio meets its financial objectives, as companies involved in activities Castlefield deems not to be sustainable may result in permanent capital impairment if invested in.

The exercise of rights attaching to the Scheme's investments are delegated to the investment manager. Exercising voting rights is a fundamental part of Castlefield's standard approach and is guided by its Voting Policy, which is publicly available and externally audited by its Advisory Committee.

The trustees require Castlefield to use its discretion to engage with investee companies on matters relating to environmental, social and governance issues, with the objective of enhancing returns or reducing risk. Castlefield carries out such engagement either by itself or in collaboration with other parties. Engagement may relate to specific thematic topics of relevance or to voting matters. Castlefield may seek to contact investee companies regarding its voting plans ahead of the voting deadline, in order to explain its stance where dissenting and to request consideration of its arguments; alternatively, the engagement may follow after the vote. Castlefield discloses its voting and engagement efforts publicly via a dedicated quarterly reporting publication.

In respect of the very specific asset allocation strategy advised by Gallagher and the limiting of Castlefield's future role to the active selection and management of third-party long-dated corporate bond funds, the application of its standard socially responsible investment approach will, by definition, be limited. That said, Castlefield still expects to engage with each third-party manager on general ESG topics and to keep the universe of suitable available funds under ongoing review.

10. Policy in relation to other non-financial matters

The trustees' objective is that the financial interests of the Scheme's members is their first priority when choosing investments and do not currently take direct account of the views of members and beneficiaries when considering the selection, retention and realisation of investments.

11. Additional voluntary contributions ("AVCs")

AVC funds are invested with Prudential. The trustees' objective is to achieve above average performance compared with other AVC managers offering similar investment funds to that selected by the trustees for the Scheme.

12. Compliance and review

The trustees and Castlefield have agreed that Castlefield will provide a detailed report on investment performance every six months.

The trustees will assess the performance, processes and cost effectiveness of the investment manager by means of regular, but not less than annual, reviews of their results and other relevant information. Appropriate written advice will be taken from the investment consultant before the appointment or removal of an investment manager.

The trustees will normally review this SIP at least every three years or sooner, if there is a change in policy in any of the areas it covers. Each review will include consultation with the sponsoring employer.

Signed on behalf of the trustees of the Scheme:

Date:

Signed on behalf of the Employer:

Date: