Higgins Group Plc Pension and Life Assurance Scheme

Annual statement by the Chair of the Trustees for the year to 30 April 2025

What is this Statement for?

It's important that you can feel confident that your savings in the Higgins Group Plc Pension and Life Assurance Scheme ("the Scheme") are being looked after and give good value.

This Statement sets out how the Trustees have managed the Scheme in the last year and what they aim to do in the coming year. The statement covers both the main Defined Contribution ("DC") section of the Scheme and also the additional voluntary contributions ("AVCs") of the Defined Benefit ("DB") section.

What's in this Statement?

We've included information on the following areas in this Statement:

1 How we manage your Scheme – who the Trustees are and what guides our decision making.

2 Investment options – what we have done to check the performance and suitability of the Scheme's investment options, especially those used by members who don't want to make an investment choice (known as the "default arrangement").

3 Investment performance – what returns have the investment options given over the last few years.

4 Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time.

5 Value for Members – how the quality of the Scheme's services (including the investment returns on your savings) which you pay for compare to other pension schemes.

6 Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed.

7 Trustee knowledge – what we as Trustees have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you.

8 Our plans for the next year – what key actions the Trustees took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

We can confirm to you that:

1 How we manage your Scheme

The Trustees of the Scheme remained unchanged for the year to 30 April 2025.

2 Investment options

We're satisfied that the default arrangement has performed in-line with our objectives and remains suitable for most members because there has not been a significant change in the Scheme's

membership or members' benefit choices at retirement. In April 2022, the Trustees along with their investment advisers, conducted an Investment Strategy review to ensure it remains appropriate for the membership. The DC members' age profile continues to mature gradually as the Scheme is closed to new entrants. This is effectively managed by the investment approach of the default arrangement. The Trustees carried out an exercise during the year to review the Scheme in its current form alongside the DB section. The Trustees concluded that the Scheme would continue to run as is. As a result of this review and the possible change in arrangement, the Trustees delayed commencing the triennial investment strategy review. At the time of writing, the Trustees are conducting this review.

There have been no changes to the investment options in the last year.

3 Investment performance

As the Scheme's default arrangement invests in the Prudential With Profits Investment Only fund, its return value depends on when members contributed to the fund, how much profits the fund makes and how the provider decides to distribute that profit. Fund (policy) holders receive a distribution of profits by means of bonuses, of which there are two types; regular (or reversionary) and final (or terminal).

The AVCs produced mixed investment returns over the year, with the Prudential With Profits Cash Accumulation Fund gaining 6.15% in the year to 31 March 2025.

4 Costs and charges

You pay for the Scheme's investment management while the Company pays for part or all the Scheme's administration, communications and governance.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges for the "default arrangement" are deducted from the overall fund before bonus rates are set for all policyholders. There is currently an implicit member-borne charge which is made through the declared bonus of approximately 0.61% p.a. and additional expenses of 0.31% p.a. of the fund value. In addition, there is an explicit Scheme charge which is paid by the Company of £500 p.a.

We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. As an example, for a member invested in the default arrangement with a starting fund size of £15,000 at age 30, the level of charges and costs would reduce their projected pot value at retirement in today's money from £24,942 to £17,486.

5 Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Scheme gives average value over the last year - see sections 5 and 8 for more details.

6 Administration

We check that the administration of the Scheme is running smoothly at our half-yearly meetings and found that:

- key financial transactions were processed promptly and accurately by Hymans Robertson; and
- the wider administration of the Scheme was completed within the service standards we agreed with Hymans Robertson.

7 Trustee knowledge

It's important that we as Trustees keep our knowledge of pension and investment matters up to date and have access to sound professional advice. All of the Trustees attended training sessions during the year and received updates on current issues – see section 7 for more details.

There have been no changes to the Trustees' advisers during the year.

Overall, the Trustees believe that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

8 Our plans for the next year

During the last year the Trustees undertook the following (over and above "business as usual"):

- continued to regularly review funds and monitor performance; and
- DC specific training covering the Mansion House reforms, Long Term Asset Funds, Responsible investment in DC and the General Code of Practice.
- A review of the current DC and AVC arrangements in conjunction with the DB scheme.

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following:

- receive continued DC specific training covering topical issues in the DC industry;
- update the annual training plan in line with the Trustees' training needs; and
- review and update the risk register.
- The Triennial review of the Scheme's investment strategy.

The Trustees believe that this work will help you get the best out of our Scheme.

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Scheme in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions on its contents, please contact Hymans Robertson on 0121 210 4330 or Mike Smith at Chase De Vere on 0116 271 9082.

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustees are required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 1 May 2024 to 30 April 2025.

For the record
This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations

_____ Date: _____

Richard Higgins

Signed by the Chair of Trustees of the Higgins Group Plc Pension and Life Assurance Scheme

1 How we manage your Scheme

At 30 April 2025, the Trustees of the Scheme were:

- Mr R.G. Higgins
- Mr M. Francis
- Mr P. Lewellen

The Statement of Investment Principles sets out the Trustees' investment policies which the Trustees, with the help of their advisers, review at least every three years. The SIP was reviewed and updated within the Scheme year on 23 July 2024. The SIP was subsequently updated after the end Scheme year to include minor updates. This SIP is appended to this document.

An implementation statement setting out how the Trustees complied with the Statement of Investment Principles during the year to 30 April 2025 will be published before 30 November 2025.

2 Investment options

2.1 Default arrangement

The Scheme's default arrangement is the Prudential With-Profits Investment Only Fund. The DC section of the Scheme only offers one fund which members were automatically invested into. There have been no new members or contributions paid into the fund since 2008.

The main investment objectives for the default arrangement are in outline:

- to manage the principal investment risks faced by an average member during their membership of the Scheme; and

- to offer competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are via bonuses. The fund is invested in a portfolio of UK and overseas shares, bonds, property and cash. The fund is actively managed to optimise returns whilst controlling risk.

The Statement of Investment Principles covering the default arrangement is appended to this Statement. Please note that the Statement of Investment Principles covers all the Scheme's investments (including the DB section and AVCs) – the principles guiding the design of the default arrangement are set out on pages 8 to 10.

The Trustees believe that the default arrangement is appropriate for the majority of the Scheme's members because:

- it manages the main investment risks members' face during their membership of the Scheme;
- it is expected to give good member outcomes at retirement, defined in terms of members achieving their target replacement income, by maximising investment returns relative to inflation while taking an appropriate level of risk for the majority of members who do not make investment choices; and
- the Trustees believe that the presence of an effective default option will help deliver good outcomes for members at retirement.

The Trustees periodically monitor the investment performance of the default arrangement. A full review of the performance and suitability of the default arrangement was conducted on 5th April 2022 in conjunction with the Trustees' investment advisor. The conclusion of this review was that the investment strategy remained appropriate for the membership of the Scheme. The Trustees note that as the default fund is a With-Profits fund, it would be difficult to transfer to another arrangement and potentially detrimental to members.

The Trustees carried out an exercise during the year to review the Scheme in its current form alongside the DB section. The Trustees concluded that the Scheme would continue to run as is. As a result of this review and the possible change in arrangement, the Trustees delayed commencing the triennial investment strategy review. At the time of writing, the Trustees are conducting this review.

The Trustees are satisfied that the default arrangement remains appropriate for the majority of the Scheme's members because:

- its investment performance has been consistent with its investment objectives;
- its design continues to meet its principal investment objectives;
- the demographic profile of the membership has not changed materially;
- members' needs and likely benefit choices at retirement have not changed materially; and
- the market value reduction applied to members pots should they transfer to an alternative fund is too significant to justify encouragement of members changing their investment strategy.

As a result, there were no changes to the default arrangement.

2.2 Asset allocation disclosure

The following table shows the asset allocation for the Scheme's default arrangement, the Prudential With-Profits Investment Only Fund, for members of different ages, as at 30 April 2025. The asset

allocation disclosure meets the DWP's statutory guidance "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap" as at January 2023.

Asset class	Percentage allocation – average 25 y/o (%)	Percentage allocation – average 45 y/o (%)	Percentage allocation – average 55 y/o (%)	Percentage allocation – average 1 day prior to Prior to retirement age (%)
Cash	1.8	1.8	1.8	1.8
Bonds	27.7	27.7	27.7	27.7
Listed equities	39.4	39.4	39.4	39.4
Private equity	-	-	-	-
Infrastructure	-	-	-	-
Property / real estate	13.6	13.6	13.6	13.6
Private debt / credit	-	-	-	-
Other assets	17.5	17.5	17.5	17.5
Total	100.0	100.0	100.0	100.0

Note: The asset allocation figures presented have been calculated from the fund allocations detailed in the respective fund factsheets as of 6 April 2025.

3 Investment performance

The presentation of the investment performance takes into account the statutory guidance (i.e. The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021) issued by the Department for Work and Pensions. Given the nature of with profits funds, net investment returns on the underlying assets have been estimated based on published information where available (see costs and charges section for more information).

3.1 Investment conditions

When looking at the following figures it should be borne in mind that major stock markets rose by 5.31% (MSCI All World Index) over the same period.

3.2 Default arrangement

As the Scheme's default arrangement invests in the Prudential With Profits Investment Only fund, its return value depends on when members paid contributions, how much profits the fund makes and how the provider decides to distribute that profit. Fund (policy) holders receive a distribution of profits by means of bonuses, of which there are two types; regular (or reversionary) and final (or terminal).

The estimated net investment performance of the assets underlying the with profits fund is shown. However, the overall performance for a particular member will vary depending on when they actually invested, and the future value could change by more or less than the underlying investment return of the overall fund.

Fund	1 year	3 year (p.a.)	5 year (p.a.)
Prudential With-Profits Investment Account	6.70%	6.83%	6.10%

Source: Prudential to 30 April 2025 net performance.

The Trustees are happy with the performance of the With-Profits Investment Account and believe that it will continue to provide net returns in line with comparable schemes.

3.2 Other investment options – AVC arrangement

The investment performance of the AVC fund over the year to 30 April 2025 net of costs and charges is set out in the table below.

Fund	1 year	3 year (p.a.)	5 year (p.a.)
Prudential With Profit Cash Accumulation*	6.15%	5.05%	6.15%

Source: Prudential *Overall annualised returns for the With Profit Cash Accumulation Fund is shown.

4 Costs and charges

The charges and costs borne by members and the Company for the Scheme's services are:

Service	By members	Shared	By the Company
Investment management	✓ (All)		
Investment transactions	✓ (All)		
Administration		✓ (AVCs)	✓ (DC)
Governance			✓ (All)
Communications		✓ (AVCs)	✓ (DC)

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

4.1 Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

4.2 Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- the fund manager buys or sells part of a fund's portfolio of assets; or
- the platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown here do not include any costs members may incur from time to time when buying or selling units in the provider's funds caused by the fund manager's unit price for a fund moving from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors.

4.3 Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's investment manager, Prudential. The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions. Full details of the annualised charges and transaction costs, for all funds for the Scheme Year, can be found in the Appendix.

4.4 Performance based fees

There were no performance-based fees which were deducted from the default arrangement during the Scheme Year.

4.5 Default arrangement charges and transaction costs

The default arrangement is the Prudential With-Profits Investment Only Fund.

Service	By members	Shared	By the Company
Member-borne charge	✓		
Additional Expenses	✓		
Scheme Charge			✓

The charges and transactions costs for With-Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. There is currently an implicit member-borne charge which is made through the declared bonus of approximately 0.61% p.a. and additional expenses of 0.31% p.a. of the fund value. The Scheme is not used for automatic enrolment and therefore the 0.75% p.a. charge cap does not apply to the Scheme's default arrangement.

In addition, there is an explicit Scheme charge which is paid by the Company of £500 p.a. It should be noted that the implicit costs and charges for the With-Profits Fund cover the cost of guarantees and reserving as well as investment management.

Due to the nature of a With-Profit fund, the provider can levy a penalty for early termination, with no such penalty on death or retirement. The charge is made to protect other members of the With-Profit fund from losing out where the termination value (including bonuses) would otherwise be higher than the real value of the underlying investments. These charges are set by the provider and are not within the control of the Trustees. Similarly, a charge would apply if the Trustees were to move the investment to another investment product or provider. On the counter side, additional (terminal) bonuses can be added when the value of the With-Profit fund would otherwise be lower than the value of the underlying investments. As a result, it is not possible to determine the exact charges and costs borne by members.

4.6 Charges and transaction costs for the investment options outside the default arrangement

Additional Voluntary Contributions ("AVCs")

The Scheme offers AVCs to members in the Defined Benefit section.

Some members' AVCs are invested in the Prudential With-Profits Cash Accumulation Fund. As noted above, the charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, the charges and transaction costs are effectively averaged across all policy holders and it is not possible to determine the exact charges and costs borne by the members of our Scheme.

It should be noted that the implicit costs and charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration services.

The level of charges and the transaction costs over the period covered by this Statement are:

Fund	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
Prudential With-Profits Cash Accumulation	Charges for this fund depend on the performance of the With-Profits Fund, in particular the investment return and the investment manager's expenses. If, for example, over time, investment returns are higher, then we would expect higher charges and if investment returns are lower, we would expect lower charges. This charge is deducted through the bonus mechanism. As a result of this process an annual management charge is not disclosed, although the manager reports additional expenses of 0.24% p.a.		0.10	£1.10

Source: Prudential. Transaction cost data is to 31 December 2024 as this is the most up to date information Prudential could provide at the time of writing. The Trustees will continue to work with their adviser to obtain up to date transaction costs.

4.7 Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. These illustrations show projected fund values in today's money before and after costs and charges for typical members at stages from joining the Scheme up to retirement.

The tables in Appendix 2 to this Statement show these figures for:

- The default arrangement;
- The AVC option available to members– the Prudential With-Profits Cash Accumulation Fund;

The "before costs" figures show the projected value of a member's savings assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures show the projected value of a member's savings using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

Please see the notes to the tables in Appendix 2 for the assumptions used in calculating these illustrations.

The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

5 Value for Members

Each year, with the help of their advisers, the Trustees carry out an assessment of whether the Scheme represents good Value for Members.

5.1 Approach

The Scheme is a "specified scheme" as described by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') which means that the Trustees must carry out a more detailed assessment of Value for Members.

The Trustees adopted the following approach to assessing Value for Members for the last year:

- Costs and charges – considered the costs and charges of the Scheme's investment funds and compared these with 3 other "comparator schemes"
- Net investment returns – considered the net investment returns of the Scheme's investment arrangements and funds, and compared these with 3 other "comparator schemes"
- Scheme governance and administration – assessed the Scheme on an absolute basis against 7 key governance and administration criteria
- Rating – each factor was rated on the below basis

5.2 Results for the year ending 30 April 2025

The Scheme provided AVERAGE Value for Members in the year ending 30 April 2025.

The rating criteria used in the assessment were:

Rating	Definition
Good	The Trustees consider the Scheme offers good value for members overall, with returns and costs & charges that are better than the average of the 3 comparator schemes, as well as providing administration and governance services that are of sufficient / good / excellent quality.
Average	The Trustees considers the Scheme offers average value for members overall, with returns that are similar to the average of the 3 comparator schemes (and there are no mitigating factors). The Scheme's costs & charges are similar to the average of the 3 comparator schemes (and there are no mitigating factors). The Scheme meets the majority of the administration and governance metrics.
Poor	The Trustees considers the Scheme offers poor value for members overall, with returns and costs & charges that are worse than the average of the 3 comparator schemes with no mitigating factors, and the Scheme does not meet all administration and governance metrics .

The rationale for the rating of each service was in outline:

Factor and weighting	Rating	Rationale
Costs and charges 30%	Average	The total of charges and transaction costs in the default arrangement are higher than that of the comparator schemes' average, although, it should be noted that the charge structure for the Scheme's default fund is markedly different to those of the comparators, and this consideration has been taken into account. Transaction costs were higher than that of the average of the comparator schemes.

Net investment returns 35%	Average	The overall yield in the default arrangement is in line with the net investment returns of the comparator schemes' average. The default arrangement is a With Profits Fund and therefore offers bonuses to members that would not be applicable from other fund types. The net investment returns for funds in which members of the Scheme have self-invested have shown a mixed performance with some faring better, and others faring worse, than the average for comparator funds. It should be noted, however, that the comparator schemes do not all offer like-for-like funds within their arrangements and in some instances, we have followed the regulatory guidance in showing the comparison against the relevant default. Overall, it is therefore reasonable to deduce that the Scheme offers investments that represent average value for members from the standpoint of investment returns.
Scheme governance and administration 35%	Good	All the metrics for administration and governance are satisfied. • Core financial transactions have mostly been processed promptly and accurately. • The Scheme holds reliable, accurate and secure data. • Documented investment governance procedures are in place and are adhered to. • The Trustee board as a whole has the necessary knowledge, understanding and skill to operate the pension scheme effectively. • Communication with Scheme members is clear, accurate, timely and of good quality. • Robust conflicts of interest policies and controls are in place. The Trustees expect all the metrics for administration and governance to be satisfied for a pension scheme to be able to demonstrate satisfactory Value for Members.

The Trustees have agreed an action plan for the following year to improve value where necessary and obtain any missing information

During the last year the Trustees undertook the following (over and above "business as usual"):

- continued to regularly review funds and monitor performance; and
- DC specific training covering the Mansion House reforms, Long Term Asset Funds, Responsible investment in DC and the General Code of Practice.
- A review of the current DC and AVC arrangements in conjunction with the DB scheme.

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following:

- receive continued DC specific training covering topical issues in the DC industry;

- update the annual training plan in line with the Trustees' training needs; and
- review and update the risk register.
- The Triennial review of the Scheme's investment strategy.

6 Administration

The Trustees appointed Hymans Robertson to administer the Scheme on their behalf.

6.1 Core financial transactions

The Trustees monitored core financial transactions during the year including:

- switches between investment options; and
- payments of benefits (including retirements and outward transfers of funds).

6.2 Service levels

The Trustees have a service level agreement (90% of standard requests are to be processed within 10 days) in place with the administrator which covers the accuracy and timeliness of all core financial transactions and other services such as:

- switching investment options;
- providing quotations of benefits to members who are retiring or leaving the Scheme;
- payments of benefits;
- producing annual benefit statements; and
- responding to ad hoc enquiries from members.

The Trustees understand that the administrator monitors its performance against these service levels by:

- maintaining accreditation with the Pensions Administration Standards Association ("PASA");
- monitoring daily transactions;
- monitoring daily workflow items;
- regular internal audits of administration procedures; and
- reviewing the level, causes and resolution of complaints.

The Trustees monitored core financial transactions and administration service levels during the year by:

- receiving biannual reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels. In the 12 months to 31 March 2025, 97.5% of standard requests were achieved within the service level agreement;
- considering the reasons for and resolution of any breaches of service standards; although there were none this year;
- receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- considering member feedback including any complaints. There were zero formal complaints in the year to 31 March 2025.

The Scheme's administrators, Hymans Robertson have confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

The Trustees are satisfied that the service standards are competitive because:

- the Trustees ask their advisers to informally compare service levels against other similar administrators. This is reviewed on a periodic basis; and
- the Trustees periodically conducted informal reviews of the administrator to ensure they are still found to be competitive with other administrators.

6.3 Data quality

Each year the Trustees ask the Scheme's administrator to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date. Following the most recent survey, in November 2025, the common data for the Scheme was recorded at 91.8%.

6.4 Cyber security

The Trustees are conscious of the growing threat of cyber-attacks on pension scheme information.

Each year the Trustees request that the administrator confirm that their cyber security arrangements are effective and up to date. The Trustees expect that the Scheme's administrator will report any security breach immediately and ensure that members are notified as soon as possible.

6.5 Own Risk Assessment (ORA)

The Trustees carry out an assessment of the effectiveness of the controls which are in place to manage the risks faced by the Scheme. The Trustees are currently preparing their first ORA for discussion at the December 2025 Trustee meeting.

6.6 Overall

Overall, the Trustees are satisfied that during the year:

- core financial transactions were processed accurately, promptly and efficiently;
- there have been no material administration errors in relation to processing core financial transactions; and
- the wider administration of the Scheme achieved the agreed service standards.

6.7 Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustees have reviewed the structure of the funds used within the default arrangement and other investment options. The Trustees believe that the current structures are appropriate for members when compared to other possible structures.

7 Trustee knowledge

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Section 247 and 248 of the Pensions Act 2004 requires that each Trustee must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly to exercise his or her functions as a trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

7.1 Current practices

The Trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are:

- training is provided to ensure that Trustees maintain a working knowledge of the Scheme's Trust Deed and Rules, the Scheme's Statement of Investment Principles as well as the investment concepts and principles relevant to the Scheme, contract documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- the Trustees are encouraged to undertake further study and qualifications which support their work as Trustees;
- the Trustees have a plan in place for ongoing training appropriate to their duties;
- the effectiveness of these practices and the training received are reviewed annually; and
- the Trustees carry out regular assessments to confirm and identify any gaps in their knowledge and skills.

7.2 Trustee training

The Trustees, with the help of their advisers, periodically consider training requirements to identify any knowledge gaps. The Trustees' investment advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they are material.

All the Trustees have completed the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). Additionally, the Scheme has a structured induction process for new trustees.

During the period covered by this Statement, the Trustees received training on the following topics:

Date	Topic	Aim/benefit	Trainer
Ongoing	The Pension Regulator's Trustee Toolkit	Utilising the Regulator's free training service to increase trustee knowledge to enable them to carry out their duties for the benefit of their members	The Pensions module
June 2024	Mansion House Reforms and Long Term Asset Funds	The Scheme's advisers provided updates on the Mansion House reforms as well as introducing the Trustees to the fundamentals behind Long Term Asset Funds.	Hymans Robertson
June 2024	Responsible Investing in DC	The Scheme's advisers providing the key regulatory developments to Responsible Investing in DC.	Hymans Robertson
June 2024	The General Code of Practice	The Scheme's Advisers providing the background and implications of the new General Code of Practice.	Hymans Robertson

7.3 Governing documents

All the Trustees have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles ("SIP"). The Trustees refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

7.4 Trustee advisers

The Trustees have appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustees review the effectiveness of its advisers annually and periodically reviews the appointment of its advisers.

The Trustees are satisfied that during the last year they have:

- taken effective steps to maintain and develop their knowledge and understanding; and
- ensured they received suitable advice.

The Trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during period covered by this Statement. The Trustees take a proportionate approach to governing the assets within the DC Section of the Scheme and associated AVCs.

8 Our plans for the next year

During the last year the Trustees undertook the following (over and above "business as usual"):

- continued to regularly review funds and monitor performance; and

- DC specific training covering the Mansion House reforms, Long Term Asset Funds, Responsible investment in DC and the General Code of Practice.
- A review of the current DC and AVC arrangements in conjunction with the DB scheme.

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following:

- receive continued DC specific training covering topical issues in the DC industry;
- update the annual training plan in line with the Trustees' training needs; and
- review and update the risk register; and
- The Triennial review of the Scheme's investment strategy.

The Trustees believe that this work will help you get the best out of our Scheme.

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Scheme in the last year.

Missing information

The Trustee has not been able to obtain complete 5 year up to date transaction cost data on the Prudential With-Profits Investment Account, or the With-Profits Cash accumulation fund. Therefore, the data provided is covering one year to 31 March 2025 and 31 December 2024 for the With-Profits Investment Account and the With-Profits Cash accumulation fund respectively. Charges and statistics on the Administration of the Plan are shown to 31 March 2025. This is the most current information that Prudential have been able to provide at the time of writing. The Trustees will continue to engage with Prudential to access this information. Performance data has been shown to 31 March 2025, unless otherwise stated.

Appendix 1

Table of funds and charges

Default arrangement

The charges for each fund used in the default (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	Charges **		Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential With-Profits Investment Only Account	0.92%	£9.20	0.13%	£1.30

Source: Prudential. Data for the year to 31 March 2025.

The Prudential With-Profits Investment Account as a charge of 0.61% p.a. and additional expenses of 0.31% of the fund value. In addition, there is an explicit scheme charge which is paid by the Company of £500 p.a.

Due to the nature of a With-Profits fund, the provider can levy a penalty for early termination, with no such penalty on death or retirement. The charge is made to protect other members of the With-Profits fund from losing out where the termination value (including bonuses) would otherwise be higher than the real value of the underlying investments. These charges are set by the provider and are not within the control of the Trustees. Similarly, a charge would apply if the Trustees were to move the investment to another investment product or provider.

On the counter side, additional (terminal) bonuses can be added when the value of the With-Profits fund would otherwise be lower than the value of the underlying investments.

Other investment options

There are no alternative investment options or self-select funds available. The Trustees assessed the feasibility of new offerings and decided that it would be infeasible to provide more investment options for members because there are no new contributions, and the Trustees would not wish to encourage members to withdraw from the With-Profits Fund as it would lead to a loss of the terminal bonus.

Additional Voluntary Contributions ("AVCs")

The charges for Additional Voluntary Contribution funds (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	Charges **		Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential With-Profits Cash Accumulation Fund	Charges for this fund depend on the performance of the With-Profits Fund, in particular the investment return and the investment manager's expenses. If, for example, over time investment returns are higher, then we would expect higher charges and if investment returns are lower, we would expect lower charges. This charge is deducted through the bonus mechanism. As a result of this process an annual		0.11%	£1.10

	management charge is not disclosed, although the manager reports additional expenses of 0.24% p.a.		

Source: Prudential. Transaction cost data is to 31 December 2024 as this is the most up to date information Prudential could provide at the time of writing. The Trustees will continue to work with their adviser to obtain up to date transaction costs.

* ISIN = the International Securities Identification Number unique to each fund.

** Notes about "Total Charge"

- The Total Charge is also known as a fund's "Total Expense Ratio" (TER) and is the sum of a fund's Annual Management Charge (AMC) and other operating costs and expenses (OCE). It excludes transaction costs on the fund's underlying assets.
- The Total Charge includes the platform provider's charges (including the charges for the routine administration of the Scheme).
- The Total Charge for the investment options are borne by the members.

With Profits Investment Account

Some member contributions are invested in the Prudential With-Profits Investment Account and the Prudential With-Profits Cash Accumulation Fund. There is currently an implicit member-borne charge which is made through the declared bonus of approximately 0.61% p.a. and additional expenses of 0.31% p.a. of the fund value. In addition, there is an explicit scheme charge which is paid by the Company of £500 p.a.

Due to the nature of a With-Profit fund, the provider can levy a penalty for early termination, with no such penalty on death or retirement. The charge is made to protect other members of the With-Profits fund from losing out where the termination value (including bonuses) would otherwise be higher than the real value of the underlying investments. These charges are set by the provider and are not within the control of the Trustees. Similarly, a charge would apply if the Trustees were to move the investment to another investment product or provider.

On the counter side, additional (terminal) bonuses can be added when the value of the With-Profits fund would otherwise be lower than the value of the underlying investments.

It should be noted that the implicit charges for the With-Profits Fund cover the cost of guarantees and reserving as well as investment management and administration.

Appendix 2

Impact of costs and charges – illustration of charges and transaction costs

The Trustees have asked the Scheme's adviser to illustrate the impact over time of the costs and charges borne by members.

The following tables show the potential impact of the costs and charges borne by members on projected values at retirement in today's money for typical members joining at a range of ages and opening fund values. It shows these figures for:

- the default arrangement;
- the AVC option available to members – the Prudential With-Profits Cash Accumulation Fund; as well as;
- together with a note of the assumptions used in calculating these illustrations.

Default Arrangement

Age	Years to retirement	Projected pot size at retirement – before costs and charges	Projected pot size at retirement – after costs and charges
30	35	£15,000	£15,000
35	30	£16,130	£15,332
40	25	£17,345	£15,672
45	20	£18,652	£16,019
50	15	£20,058	£16,373
55	10	£21,569	£16,736
60	5	£23,194	£17,107
62	3	£23,878	£17,257
64	1	£24,582	£17,409
65	0	£24,942	£17,486

Source: Hymans Robertson, Prudential. Illustration based on a starting value of £15,000.

AVC Fund – Prudential With-Profits Cash Accumulation Fund (most members)

Age	Years to retirement	Projected pot size at retirement – before costs and charges	Projected pot size at retirement – after costs and charges
50	15	£50,000	£50,000
55	10	£48,792	£46,401
60	5	£47,614	£43,061
62	3	£47,150	£41,793
64	1	£46,692	£40,563
65	0	£46,464	£39,962

Source: Hymans Robertson, Prudential. Illustration based on a starting value of £50,000.

Note: Gross returns for the AVC cash fund are lower than the inflation rate of 2.5% due to expected returns of cash not meeting up with the rate of inflation. Additionally, because there are no active contributions to the AVC fund, projected pot sizes are heavily dependent on expected cash returns.

The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs. Please note that 1 year transaction costs have been used as the Trustee was unable to obtain the 5-year average cost.

As an example, for a member invested in the default arrangement with a starting fund size of £15,000 at age 30, the level of charges and costs would reduce their projected pot value at retirement in today’s money from £24,942.00 to £17,486.00.

Assumptions

- As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees have had to make a number of assumptions about what these might be. The assumptions are explained below:
- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.

- The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The opening DC pot size is £15,000, which is a representative example for a member aged 30, at 30 September 2024.
- The opening AVC pot size is £50,000, which was the average pot size for members age 50 at 30 September 2024.
- As this is a closed Scheme, it is assumed that no contributions are made.
- Annual salary growth and inflation is assumed to be 2.5% p.a.
- The level of costs and charges are assumed to remain fixed throughout the illustration period;
- The gross investment return, TERs and transaction costs for each fund was:

Fund Name	**Gross investment Return (%p.a)**	**Total Expense Ratio (% p.a)**	**Transaction Costs (%pa.a)**
Prudential With-Profits Investment Account	4.0	0.92	0.13
Prudential With-Profits Cash Accumulation*	2.0	0.92	0.10

- The assumptions as used in the Statutory Money Purchase Illustrations included with members’ benefit statements issued in 2024 have otherwise been used.

Please also note that these illustrated values:

- Are shown in today’s terms, and do not need to be reduced further for the effect of future inflation;
- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may be differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme’s investment options;
- Are not guaranteed;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Appendix 3 – Statement of Investment Principles

Introduction

This is the Statement of Investment Principles (the "Statement") made by the Trustees of the Higgins Group PLC Pension and Life Assurance Scheme ("the Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement, which was last updated by the Trustee in November 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustees have consulted with the principal sponsor of the Scheme and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Scheme comprises a Final Salary (Defined Benefit) Section and a Money Purchase (Defined Contribution) Section. The Money Purchase Section was closed on 1 September 2008 and the Final Salary Section was closed to further service accrual with effect from 30 April 2010.

The Trustees are aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

Defined Benefit Section

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustees' over-riding funding principles for the Scheme are to set the employer contribution at a level which is sufficient:

- To build up assets to take account of future increases to current benefits (accrued and when in payment) in accordance with the Scheme Rules;
- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For employee members, benefits are based on service completed up to 30 April 2010, and take account of future revaluation in accordance with statutory requirements. The value of liabilities is calculated on the basis agreed by the Trustees and the Scheme Actuary; the Trustees also consider the Scheme's funding position on a more prudent basis consistent with an insurance buyout as an additional longer term objective. These funding positions are monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

In addition, the Trustees aim to ensure that, at any point in time, the assets of the Scheme (at their realisable value) are sufficient to cover 100% of the liabilities in respect of pensions in payment, deferred pensions, and liabilities in respect of the completed service of employee members, assuming they were to leave service at the date of the test. For this purpose, the liabilities will be calculated on the basis described in the Statement of Funding Principles.

Investment strategy

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the DB section. All day to day investment decisions have been delegated to the sole investment manager now employed by the Scheme, Legal & General Investment Management ("LGIM"). LGIM is authorised under the Financial Service and Markets Act 2000. The current target benchmark for the Scheme is set out in Appendix A. This is in line with the Trustees' views on the appropriate balance between risk and return, taking into account the contributions and timeframe for reaching the Trustee's long term objectives. In light of improvements in scheme funding, the Trustees have taken steps to reduce risk by removing remaining equity risk and increasing the Scheme's liability hedging. The latest asset allocations is given in Appendix A.

The investment strategy takes due account of the maturity profile of the DB section (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (on the Technical Provisions basis and a buyout basis as needed). LGIM produce quarterly monitoring reports showing the performance of the assets against the benchmark and the Trustees monitor the performance of the assets in the context of the overall progression of the funding position.

The strategic benchmark is reflected in the benchmarks given to individual asset classes managed by LGIM within the overall strategy.

The Trustees monitor strategy relative to their agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, with a lighter touch review conducted annually. Written advice is received as required from professional advisers.

Choosing investments

The Trustees invest in a number of individual pooled funds managed by LGIM including corporate bonds, and liability driven investments (LDI). The Trustees are satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity. LGIM manage the pooled funds in line with the mandate for the fund, for example with respect to a particular benchmark or liability profile (in the case of LDI), and are expected to maintain diversified portfolios e.g. security selection.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustees periodically review the fees paid to all of its managers against industry standards.

The Trustees review the nature of Scheme investments and manager arrangements on appointment and on a regular basis, with particular reference to suitability and diversification. The Trustees seek and consider written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Trustees is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Trustees recognise the long-term nature of the Scheme's liability profile and invests in such a way that generates long-term sustainable returns relative to the liability risks. The Trustees have an expectation that the advice received on the suitability of funds will include factors such as the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustees generally engage managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustees expect the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Whilst LGIM will invest their pooled funds for all investors in line with the investment objectives, the Trustees will have due regard to the time horizon of the Scheme. This includes the liquidity of the funds to ensure they can be crystallised when needed and the amount of income from the bond funds to match scheme cashflows.

Kinds of investment to be held

The DB Section of the Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index-linked bonds, property, cash and commodities, through pooled funds.

The pooled funds may also make use of contracts of insurance, derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. The Trustees consider all of these classes of investment to be suitable to deliver the objectives of the DB Section of the Scheme.

Balance between different kinds of investments

LGIM will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the (past service) liabilities. It includes the risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.

- Changing demographics – The risk that longevity improves, and other demographic factors change, increasing the cost of the Scheme benefits.

- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Scheme’s liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustees measure and manage financial mismatch in two ways. As indicated above, the Trustees have set a strategic asset allocation benchmark for the Scheme. The Trustees assess risk relative to that benchmark by monitoring the Scheme’s asset allocation and investment returns relative to the

benchmark and will rebalance as needed. The Trustees also assess risk relative to liabilities by monitoring the delivery of returns relative to liabilities.

The Trustees keep mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations and the Trustees may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

The Trustees seek to mitigate systemic risks through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure of a fund to achieve the rate of investment return for the benchmark.
- Environmental, Social and Governance (ESG) risks – The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

By investing across a range of assets, including quoted equities, bonds (and possibly in the future bulk annuity policies), the Trustees recognise the need to access funds in the short term to pay benefits. The risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio.

LGIM manages assets on a passive basis, and therefore active risk for these assets is low.

The Scheme's assets also include a small annuity contract, which helps reduce liquidity risk as it provides a regular income. It also provides a hedge against interest rate and inflation changes, as well as providing protection against longevity improvement for the member it is supporting.

In the event of Scheme insolvency, the assets can be re-distributed in accordance with legal requirements applying to a solvency event.

The Trustees' approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets.

- Custody risk – The risk of loss of Scheme assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment manager as appropriate (e.g. custody risk in relation to pooled funds). When carrying out transitions, the Trustee seeks professional advice.

Expected return on investments

The investment strategy aims to achieve a return on the DB Section of the Scheme's assets which, taken in conjunction with contributions, is sufficient over time to match growth in the DB Section of the Scheme's pension liabilities.

Realisation of investments

All the assets held within LGIM's pooled funds are held in investments which are quoted on major securities markets and may be realised quickly if required. LGIM provide a weekly dealing facility in the Scheme's fund investments.

Portfolio turnover

The Trustees have expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustees' knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expect LGIM to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustees will challenge LGIM if there is a sudden change in portfolio turnover or if the level of turnover seems excessive (i.e. relative to the previous year's level). The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustees have acknowledged the relevance of climate change and ESG factors in their investments and reflected in the principles set out below and the broader implementation of strategy.

Strategic considerations

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark. In future it is expected the Trustees will consider climate change and ESG factors with their investment adviser/LGIM and the potential implications for the Scheme's investments.

The Trustees recognise that the long-term nature of the Scheme means that investments should be made with the expectation of long-term sustainable returns. The Trustees acknowledge the relevance of climate change and the potential risk it can have on certain investments in the future.

Selecting investment managers

In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by LGIM and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believes this will deliver appropriate risk adjusted returns. The Trustees will take advice on the ongoing appropriateness of the index benchmarks employed for the Scheme where there is material concern or further industry developments.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustees explicitly consider potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. Following the sale of the equities, the Trustees recognise that voting rights will no longer be applicable, although have an expectation that for the Scheme's bonds LGIM will continue to engage in relevant stewardship activities with the underlying companies to deliver value.

The Trustees accept that ESG matters and Stewardship activity can be relevant to different stakeholders to the Scheme.

The Trustees will disclose relevant information in relation to ESG and Stewardship with key stakeholders, as requested from time to time.

Where appropriate, the Trustees will engage with and may seek further information from LGIM on how portfolios may be affected by a particular issue, i.e. the Trustees do not engage directly but believe it is sometimes appropriate for LGIM to engage with key stakeholders. This may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, LGIM are expected to notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustees meet LGIM periodically and in the presentations consider engagement activity undertaken by LGIM. Outside of any meeting, the manager may be challenged directly by the Trustees or by their investment advisers on the impact of any portfolio management decisions including ESG issues that may affect the prospects for return from the portfolio.

LGIM should use engagement with company management for positive influence as opposed to divestment from companies unaligned with the Scheme's objectives.

Responsibility for investment decisions has been delegated to LGIM which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where LGIM is responsible for investing in new issuance, the Trustees expect them to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustees separately consider any conflicts of interest arising in the management of the Scheme and its investments and have ensured that the manager has an appropriate conflicts of interest policy in place. The manager is required to disclose any potential or actual conflict of interest to the Trustees.

Additional Voluntary Contributions (AVCs)

In the past, the Scheme has offered members the opportunity to pay AVCs which are then invested with the Prudential Corporation ("Prudential"). The payment of further contributions or the option to transfer in DC benefits from other pension arrangements, is possible at the discretion of the Trustees. Note: If transfers-in are allowed at the time of retirement, the amount received will be invested in the Trustees' bank account.

A benefit statement is provided to members annually which sets out the fund choice, value of the members' fund, any contributions paid into the Scheme since the previous statement, and an estimate of the projected level of retirement benefits payable to the member based on statutory principles (regarding such matters as future investment returns and annuity prices). The production of this benefit statement is carried out by Prudential, who also hold a complete record of the member's contributions and other relevant data.

Defined Contribution Section

The Scheme also has a Defined Contribution (DC) Section. Members of this Section of the Scheme have not built up a final salary section benefit. Instead, all Scheme benefits are provided on a money purchase basis, whereby the value of the fund is used to provide a lump sum and pension at retirement, or may be transferred to another pension arrangement in order that the member has a further range of options for drawing their pension. All contributions are invested with Prudential.

This Section is now closed to both new members and future contributions. It is very similar to the AVCs, except:

- Contributions will have been paid by both the Employer and the member; and
- Administration, including the provision of an annual statement, is carried out by the Scheme's administrator

Range of DC and AVC funds – member choice

All DC and AVC funds are managed separately from the main Scheme assets and therefore do not adopt the strategy that is used for the main portfolio. As a DC fund, it is important that the fund(s) are appropriate in relation to members' needs, the degree of their investment knowledge, and the time horizon for their investment in relation to taking retirement benefits (for both members of the DC section and AVC payers).

The Trustees will periodically review whether to offer members a different choice of funds that they can invest in. As there are no future contributions, a change of the member's investment fund would take the form of an "internal" transfer where the assets remain under the Scheme's trust but move to

another fund or fund manager. In the event that a range of funds is not offered, members retain an option to transfer their DC fund out of the Scheme in order that they may access a full range of funds offered by a suitable provider.

The Trustees will review the investment options separately from the main portfolio, to ensure that the options remain appropriate for DC members. A review may also be carried out when there are significant changes which would justify a review such as a change to pension regulations.

A review would include: performance against objectives, member security, value for money, information provided to members, suitability for retirement savings over the duration of the investment, where the manager is an insurance company – a general review of their financial strength, plus any other matters which are identified within the Trustees' risk register.

Under current regulations, members may now transfer their DC benefit separately from their final salary benefit. This will give DC and AVC members the potential to access a wider range of options either for investment or if the member wants to take control of the means of receipt of their benefit, e.g. drawing pension from their fund as a series of lump sums.

Default DC strategy

As the DC Section is now closed to both new members and future contributions, the current default fund offered to members is the Prudential With Profit Investment Account. All of the AVC payers use the With Profit Cash Accumulation fund. Under these types of funds, the insurer provides a level of guaranteed bonus, but may also declare additional bonuses from time to time. The value of the member's fund is typically guaranteed in the event of retirement (when the fund is used to secure a retirement benefit) or death before retirement.

This choice of fund requires that the Trustees must have regard to the underlying investments of the With Profit fund, and also the conditions or restrictions that lead to a market adjustment (reduction applied to the fund on early transfer) or the application of final or terminal bonus (additional payment added to the fund at retirement when performance has been better than declared).

Reasons for having a default option

The Scheme has a default option because:

- It is believed that a significant proportion of the membership are either unengaged in or unable to decide where their DC pot should be invested;
- A significant proportion of the membership is expected to have broadly similar investment needs;
- The Trustees believe that the presence of an effective default option will help deliver good outcomes for members at and into retirement.

In choosing what is felt to be an appropriate default, the Trustees have taken into account a number of factors including the likely return on investments after the deduction of charges.

Objectives of the default option

The main objective of the default option is to provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.

The Trustees believe that a With Profit Fund is an appropriate default option. The principal objectives of the Fund are:

- To manage the principal investment risks faced by an average member during their membership of the Scheme;
- To offer competitive long-term real returns whilst smoothing the peaks and troughs of day to day market movements. Investment returns are via bonuses. The fund is invested in a portfolio of UK and overseas shares, bonds, property and cash. The fund is actively managed to optimise the returns whilst controlling risk.

Risks

Principal investment risks

The Trustees believe that the three principal investment risks most DC members will face are:

1) Inflation risk – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

2) Benefit conversion risk – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

3) Volatility/Market risk – falls in fund values prior to retirement lead to a reduction in retirement benefits.

In order to manage these risks, the default fund is the Prudential With Profit Investment Account.

Other investment risks

The Trustees believe that other investment risks members may face include within the With Profit Investment Account are as follows:

Active management risk – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of investments in bonds will be affected by changes in interest rates.

Default risk – for bond investments (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Liquidity risk – investments which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

Market risks - shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Legislative/Regulatory - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

The Trustees believe that these risks are being managed on behalf of members by Prudential within the With Profit Investment Account

Choosing investments

The fund in which members invest is a pooled fund, which the Trustees believe is appropriate given the size and nature of the DC Section. The manager is given full discretion over the choice of individual stocks. The Trustees are satisfied that the assets held in the funds are suitable in relation to the needs of the members.

Kinds of investment to be held

The investment manager may invest in UK and overseas equities, UK and overseas corporate bonds, UK and overseas government bonds (fixed interest and inflation linked), infrastructure, property, commodities, private equity and cash.

Managing risks

Principal investment risks

The With Profit Investment Account manages the three main investment risks during a member's lifetime. The fund is expected to meet the investment needs of a majority of members.

Other investment risks

The Trustees acknowledge the relevance of climate change and the potential risk it can have on certain investments in the future. At this time, the Trustees have not made explicit allowance for climate change within the development or implementation of the With Profit Investment Account. The Trustees discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will monitor developments in this area.

Financially material considerations

The Trustees recognise that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options. The Trustees delegate this role to Prudential in the active management of the With Profit Investment Account.

Non-financial factors

Given the objectives of the Scheme, the Trustees do not impose any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Private Markets

The Trustees invest through the Prudential With Profits Investment Account and, as such, do not have their own explicit policy at this time with regards to investing in markets which are not publicly traded. With regard to the With Profits Investment Account, the Trustees note that this fund is invested 18.3% in alternative assets (as at 31st December 2024) providing diversification benefits as well as increasing the returns potential of the fund.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with the fund manager and the monitoring of compliance with agreed policies.

Members' financial interests

The Trustees expect that the fund managers will have the members' financial interests as their first priority when choosing investments.

Voting and engagement

The Trustees believe that engagement with the companies in which the With Profit Investment Account invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Scheme's investments. Given the nature of the With Profit Investment Account, the Trustees have delegated this role to Prudential. While the Trustees are not in a position to engage directly, the Trustees believe it is appropriate to actively encourage the fund manager to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustees will request, where appropriate and practicable, that the investment manager notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement.

Monitoring

The Trustees expect the investment manager to adhere to stated voting and engagement policies. The Trustees request reports on the fund managers' voting activity on a periodic basis. The Trustees review the fund managers' voting activity annually in conjunction with their investment adviser and report their findings in the annual Implementation Statement. Where the Trustees deem it appropriate, any issues of concern will be raised with the manager for further explanation.

DC governance

The Trustees will apply investment principles as far as they remain relevant and proportionate to the Scheme's DC investment fund(s). The Trustees will also prepare an annual governance statement, prepared by the Chairman, except when the Scheme is exempt from the legal requirement to do so. The DC and AVC funds were reviewed against the Pension Regulator's 31 quality features by the Trustees in November 2015. Although it was acknowledged that there was only one fund available for the DC Section, this was considered satisfactory given the small size of assets and number of members and the fact that members have not been able to make contributions since 2008. The default investment strategy of the DC section was subsequently reviewed in April 2022, where the Trustees concluded that it remained suitable for the membership of the Scheme. In April 2025, the

Trustees reviewed the delivery vehicle used to provide these benefits. Following this review, the Trustees concluded that they remain confident the current arrangement is suitable for the members of the Scheme. Having made the decision to retain the current delivery vehicle, the Trustees will review the investment strategy in 2025.