HBG UK Pension Plan

Statement of Investment Principles

July 2025

Introduction

The HBG UK Pension Trustee Limited as Trustee of the HBG UK Pension Plan (the "Plan") has prepared this Statement of Investment Principles ("SIP") with effect from July 2025. It has been prepared in accordance with applicable legislation, taking into account guidance from The Pension Regulator and written advice from an independent investment adviser as required.

The purpose of the SIP is to outline the Trustee's high-level investment strategy, including investment objectives and policies. Detail on how the Plan's investment strategy is implemented is set out in a separate Statement of Investment Implementation ("SII") document (which is maintained by the Trustee).

The Trustee must review the SIP in consultation with the BAM Construct & Ventures UK Limited ('the Sponsoring Employer') at least every three years; and without delay after any significant change in investment policy or circumstances of the Plan. The Trustee last reviewed this SIP in September 2022.

Plan Governance

The Trustee is responsible for the governance of the Plan's assets and the investment of these assets in the best interests of members and beneficiaries. The Trustee exercises its powers of investment in accordance with the Trust Deed and Rules of the Plan and applicable law. Where the Trustee is required to make an investment decision, it must receive advice from the relevant advisers first. It believes that this ensures that it is appropriately familiar with the issues concerned.

The Trustee appointed Schroders Investment Solutions Limited, hereafter referred to as the '**Investment Adviser'**. The Trustee has delegated day-to-day implementation of the Plan's high level investment strategy to be undertaken through the fiduciary management service of Schroder Investment Management Limited, hereafter referred to as the '**Fiduciary Manager'**. The Trustee also delegates day-to-day aspects to the appointed investment managers ("**the Investment Managers**"). The Trustee is satisfied that the Investment Managers and Fiduciary Manager appointed have the appropriate knowledge and experience for managing the investments of the Plan and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations"),** the principles contained in this SIP and any applicable investment guidelines and restrictions agreed with the Trustee.

The Trustee acknowledges the potential for conflicts of interest as part of appointing Schroders Investment Solutions as an Investment Adviser and Schroders Investment Management Limited as Fiduciary Manager. As an FCA regulated firm, Schroders is required to prevent or manage conflicts of interest. Where third party managers the Plan invests in (the 'Investment Managers') are also regulated, they may be required to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The

Investment Advisor monitors these conflicts as part of its regulatory filings (where applicable), and as part of ongoing review. The Investment Adviser's Conflict of Interest policy is available to be shared to Trustee when required. In addition, the Trustee collaborates with XPS, a third-party advisor, to ensure independent oversight on the investment advice given by the Investment Adviser and the actions undertaken by the Fiduciary Manager when deemed appropriate. The Trustee considers that the governance structure is appropriate for the Plan, as it allows it to make the important decisions on investment policies, while delegating some day-to-day implementation aspects to the Fiduciary Manager and Investment Managers as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in the SII.

Investment Objective

The primary objective of the Trustee with regard to investment policy is to meet the benefit payments promised to the Plan's members as they fall due. Hence, the Trustee has defined the investment strategy with due regard to the Plan's liabilities.

The Trustee has set the following investment strategy:

1) The acquisition of suitable growth and matching assets, having due regard to the risks set out in this SIP, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Plan provides as they fall due.
2) To limit the risk of the assets failing to meet the liabilities over the long-term having regard to any statutory funding requirement.
3) To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

In quantitative terms, the Trustee's current long-term objective for the Plan is to achieve an investment return objective of approximately 0.75% per annum in excess of the Liability Benchmark Portfolio ("LBP"). The LBP represents a reasonable proxy for the Plan's liabilities and is a full set of liability cashflows provided by the Scheme Actuary, which we have modelled to monitor the change in the Plan's liabilities as a result of movements in interest rates and inflation expectations. Further details on the composition of the LBP can be found in the SII.

The Plan's investment strategy should be prudent, in accordance with the provisions of the Trust Deed and Rules.

Asset Allocation Strategy

Having considered advice from the Advisers, and also having due consideration for the objectives, the attitude to risk of the Trustee and Sponsoring Employer and the liabilities of the Plan, the Trustee has decided upon the following asset allocation strategy. In so doing, the Advisers have considered the full range of suitable investment opportunities that could potentially meet the investment objectives above, paying due regard to the potential risks of investment, as outlined below.

At a high level, the Trustee has notionally split the Plan's assets into:

- **Growth Assets**, which comprise a diversified range of investments including (but not limited to) developed and emerging market equities, corporate bonds and alternative assets, which are held with the aim of outperforming the Plan's liabilities over the medium term.
- **Liability Hedging Assets**, which aims to broadly mirror a proportion of the movement in the value of the liabilities of the Plan owing to changes in interest rates and inflation expectations and thereby help in stabilising the Plan's funding level over time. It is represented by a portfolio consisting of cash, gilts, gilt repurchase agreements and other derivatives contracts executed with counterparty investment banks.
- **Buy & Maintain Credit Assets**, which is intended to manage the Plan's need to generate cash over time to pay pensioners. This allocation invests in global investment grade corporate bonds that will pay coupon and maturity proceeds to the Plan at a broadly appropriate time in the future. This is expected to reduce the need to sell other assets over the short to medium term.

The overall investment return objective influences the split of assets allocation between these three components.

The Trustee has established a monitoring and decision-making process to identify opportunities for reducing the allocation to the Investment Fund over time, having regard to the qualitative objectives outlined above (further details set out in the SII). This process is formally reviewed at each quarterly meeting and as part of the triennial actuarial valuation process.

The proportions of assets invested in the portfolios listed above will vary from day-to-day due to investment market movements. The Fiduciary Manager will review the Plan's actual asset allocation on a regular basis and bring the portfolios back in line with strategic targets should they drift outside the tolerances outlined in the Investment Management Agreement ("IMA").

The Trustee has delegated the day-to-day investment decisions of the Plan's assets to suitably qualified independent Investment Managers, which have discretion to invest the Plan's assets in underlying securities and funds, either directly or through the use of other investment managers. Their activities are defined and constrained by detailed agreements.

The Trustee has received advice on the appropriateness of each Investment Managers' target, benchmark and risk tolerance from the Investment Adviser and believes them to be suitable to implement the Plan's investment principles.

Arrangement with the Fiduciary Manager

The Trustee has appointed the Fiduciary Manager to implement the Plan's investment strategy. The Fiduciary Manager is responsible for rebalancing the Liability Hedging Assets and Growth Assets portfolios to the target allocations set out in the IMA. The Fiduciary Manager does not have discretion to rebalance the Buy & Maintain Credit Assets but can implement changes to this portfolio on Trustee instruction. The Fiduciary Manager is appointed to carry out its role on an ongoing basis.

The Trustee and Fiduciary Manager have agreed an Investment Management Agreement setting out the scope of the latter's activities, performance objectives, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995. Further information can be found in the SII.

The Trustee periodically reviews the overall value-for-money of using the Fiduciary Manager, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Fiduciary Manager:

- to align its investment strategy and decisions with the it's investment policies, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve performance.

Arrangement with the Investment Managers

The Investment Regulations require the Trustee to disclose its policies in relation to its arrangements with its investment managers who are appointed by the it to implement the investment strategy to achieve the it's investment objectives.

The Trustee incentivises its investment managers via the Investment Adviser to align their investment strategies with the Trustee's mentioned in the SIP. However, the Plan's investments are generally made via pooled investment funds, in which the Plan's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, may not be aligned with the Trustee's investment policies.

Where it can be determined, the Trustee, with the assistance of the Investment Advisor, assesses whether investment managers' remuneration arrangements are aligned with the it's objectives. The Trustee also regularly reviews the investment managers with the Investment Advisor which include evaluation of the investment performance, remunerations and turnover cost of the investment funds in comparison to the peers.

The method and time horizon for evaluating and remunerating Investment Managers is determined by criteria set by the Trustee.

Monitoring

The Trustee will monitor the performance of the Fiduciary Manager and Investment Managers against the agreed performance objectives.

The Trustee, or any other suitably qualified adviser on behalf of the it, regularly reviews the activities of the Investment Manager to satisfy themselves that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Plan.

If the Trustee is not satisfied with an underlying Investment Manager, it will ask them to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee's requirements, the it will remove the them and appoint another.

In addition, the Trustee will monitor the advice given by the Investment Advisers on a regular basis. The Trustee engages with XPS to provide an independent oversight on the investment given by the Investment Advisers when deemed appropriate.

Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has taken advice on the suitability of the contracts and have delegated responsibility to the investment managers to implement these instruments. Derivative instruments are typically used for risk management purposes in the portfolio.

Realisation of Assets

The majority of assets the Plan holds can be realised easily when required. The Trustee will ensure that the Investment Adviser is made aware of the cashflow requirements of the Plan. The Trustee, with the advice from its Investment Adviser, will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Plan to meet these cashflows.

Risks

The Trustee recognises a number of risks involved in the investment of the assets of the Plan. The Trustee will keep these risks and how they are measured and managed under regular review. The main risks include, but not limited to:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
  - A liability benchmark portfolio or 'LBP' is used as a proxy for the liabilities in order to measure the approximate changes in the present value of the Plan's liabilities (due to changes to the relevant gilt yields only). The Trustee monitors this change relative to the change in asset values on quarterly basis. The LBP is reviewed following each actuarial review, or when significant market or Plan events (e.g. a significant change in inflation expectations) occur.
  - The Trustee recognises the risk of a negative impact on the funding level due to changes in the Plan Actuary's assumptions. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
  - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LBP and can therefore also be assessed as part of the quarterly review process.
  - This risk is also monitored through regular actuarial and investment reviews.
- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
  - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
  - The use of instruments and strategies designed to control the extent of downside exposure.
  - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
  - Regular monitoring of the managers' performance, processes, and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the Investment Manager.

- **Cashflow risk –** which is the risk that the Plan is unable to meet benefit payments as they fall due, addressed through the monitoring of the cashflow requirement of the Plan to control the timing of any investment/disinvestment of assets.
  - The Trustee has also put in place a dedicated cashflow matching portfolio that is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **ESG risk including Climate risk –** the risk of adverse performance due to ESG related factors including climate change. The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Plan's investments. The Trustee is supportive of the Paris Agreement and will aim to achieve a carbon neutral portfolio (net zero) by 2050 or sooner. This risk is addressed by the following:
  - Climate change scenarios being considered as part of the Trustee's regular review of investment strategy from time to time (if applicable).
  - The Fiduciary Manager's ESG assessment at the point of investment with Underlying Managers.
  - The Trustee monitoring the overall ESG characteristics including carbon metrics of the portfolio in the quarterly governance report.
- **Sponsor risk –** the risk of the Sponsoring Employer becoming unable to support the Plan which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Sponsoring Employer.

Financially material investment considerations

Financially material considerations include, but are not limited to, certain environmental, social and governance ('ESG') factors.

The Trustee believes that certain ESG factors can have an impact on financial performance and part of its fiduciary duty is to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the length of time needed for the funding of future benefits of the Plan. The Trustee considers a wide range of ESG risks, including corporate governance, human rights, labour and environmental standards and so on and it believes that climate risk presents a material financial risk to the assets invested in its portfolio.

The Trustee currently does not have a standalone ESG policy ,but its policy is to delegate the monitoring and overall management of financially material ESG risks and opportunities to the Investment Managers . The Trustee is comfortable with the delegation given their approach towards ESG and climate related risks and opportunities is aligned with the its beliefs which were confirmed on appointment of the Investment Managers with the advice from the Investment Adviser.

The Trustee receives regular training and updates on ESG-related topics from both Investment Managers and the Investment Adviser, such as portfolio ESG characteristics and voting and engagement examples.

The Trustee delegates the integration of climate related risks into the investment process of the Investment Managers. The Investment Managers provide regular updates for the Trustee to:

- understand the exposure of its investments to climate change in an annual review compiled by the Investment Adviser, and
- ensure that new and existing investments take account of climate change risks and opportunities.

The Trustee expects its Investment Managers to take their policy into account as part of manager selection.

Non-Financial Material Investment Considerations

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

Stewardship

The Trustee is responsible for developing its own stewardship policy which includes both voting (where applicable) and engagement. The Trustee believes proper stewardship will result in better management of financially material ESG and climate related risks and opportunities. This is expected to improve the long-term financial outcomes of the Plan which ultimately is in the best interests of the Plan's members and beneficiaries. The Trustee expects its Investment Adviser and Investment Managers to be a signatory to the UK Stewardship Code.

The Trustee has received training on the Investment Adviser's approach to stewardship. The Investment Adviser has its own voting and engagement policies documented in its Engagement Blueprint which sets out six sustainability themes to prioritise and which guides the voting and engagement behaviours. The Trustee has surveyed its stewardship beliefs and chosen its stewardship priorities as Climate Change, Human Capital Management and Corporate Governance. The Trustee expects the Investment Managers to take its policy and stewardship priorities into account as part of manager selection exercise.

The Trustee reviews, monitors and challenges the investment managers where necessary in relation to the voting and engagement activities carried out by them.

Additional Voluntary Contributions (AVCs)

The Plan is now closed and therefore members can no longer contribute to AVCs. However, historical AVCs are invested and used to increase pension benefits at retirement, or in the event of death. The Trustee has established the arrangements under which these contributions are invested. The Trustee's objective is to maximise, as far as is reasonable and sensible, the value of the member's contributions plus investment returns, within the constraints imposed by the member's choice of investments, and to provide members with a choice of investment. The Trustee reviews these AVC arrangements periodically having regard to their performance, the objectives and investment advice.

Details on the funds and investment managers under these AVC arrangements can be found in the SII.