

Ibstock Pension Scheme

Statement of Investment
Principles

June 2023

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Ibstock Pension Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to future accrual. The Scheme has now secured bulk annuity buy-in policies that will provide the vast majority of member benefits in full.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustees must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects the Myners principles for institutional investment decision-making, which require trustee boards to act in a transparent and responsible manner.

The Trustees are responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.
- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustees have taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustees' approach to investment matters within the AVC arrangements is included within this SIP.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustees have obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and have consulted Ibstock Brick Ltd ('the

Principal or Sponsoring Employer'). However, it should be noted that neither the Trustees (nor any investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

History and review

The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request.

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Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board. The Trustees will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustees will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Scheme, and appropriately diversified where appropriate.

Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Scheme's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy and objective is to provide security for all beneficiaries through the purchase of bulk annuity buy-in policies with Just Retirement Limited.

In addition, the Trustees have a temporary investment in the M&G Secured Property Income Fund which is in the process of being realised in order to finalise the buy-in of the Scheme liabilities.

The Trustees also have an investment in the M&G PP Cash Fund, which will be used to make further payments as agreed by the Trustees.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment manager authorised under the Act.

The Trustees' policy in relation to the kinds of investments to be held

The Trustees have full regard to their investment powers as set out in rule 9 of the Trust Deed and Rules dated 2 December 2013.

The majority of the Scheme's assets are held in bulk annuity buy-in policies.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustees consider the temporary property holding pending full redemption and cash to be suitable to the circumstances of the Scheme. The Scheme may invest in a combination of pooled funds, bespoke portfolios and/or cash.

The Trustees' policy in relation to the balance between different kinds of investments

The appointed investment manager will hold a diversified mix of investments as appropriate in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities.

The Trustees' policy in relation to the expected return on investments

The investment strategy is believed to be capable of meeting the Trustees' aim of meeting the Scheme's liabilities.

The Trustees' policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the residual assets, the Trustees require the investment manager to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The residual assets are not expected to take an undue time to liquidate.

The Trustees' policy in relation to financially material considerations

The Trustees expect their investment manager and bulk annuity provider, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees review, from time to time, the investment manager's policies in respect of financially material considerations.

The Trustees' policy in relation to the extent to which non-financial matters are taken into account

The Trustees' objective is that the financial interests of the Scheme members is their first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

Non-financial matters may be taken into account if the Trustees have good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

Risk capacity, risk appetite and use of bulk annuity policies

The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark for the Scheme assets (excluding the bulk annuity buy-in policies), including control ranges for each asset class and or geographic region.

Subject to their benchmarks and guidelines the investment manager is given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustees' policy in relation to risks

The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. This is considered to be a very small risk given the holding in the bulk annuity buy-in policies and the remaining assets with M&G. The risk of the provider of the bulk annuity policies failing is expected to be very low. The Trustees have assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining their investment strategy, the Trustees received advice as to the appropriateness of the use of a buy-in policy, the impact this is expected to have on future funding level and the risks involved in this.

Stewardship in relation to the Scheme's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment manager. The Trustees recognise that the existing investment strategy provides only limited potential to influence engagement due to the nature of the assets and expected short-term time horizon to the eventual buyout of the Scheme.

The Trustees' policy in relation to engagement and monitoring (including peer to peer engagement)

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment manager and they expect the investment manager to use their discretion to maximise financial returns for members.

The Trustees do not envisage being directly involved with peer to peer engagement in investee companies and have delegated this responsibility to their investment manager.

The Trustees' policy in relation to voting rights

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the manager

to exercise those rights. The investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

Investment management monitoring

The Trustees will assess the performance, processes and cost effectiveness of the investment manager by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant. For the purposes of this section, the buy-in provider is not considered to be an 'investment manager' although the Trustees do monitor the financial strength of the bulk annuity provider on a regular basis.

All investment decisions, and the overall performance of the investment manager, are monitored by the Trustees with the assistance of the investment consultant.

The investment manager will provide the Trustees with quarterly statements of the assets held along with a quarterly performance report. The investment manager will also report orally on request to the Trustees.

The investment manager will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

The Trustees will assess the quality of the performance and processes of the investment manager by means of a review at least once every three years in consultation with the investment consultant. This assessment will not be required once all liabilities are insured via a bulk annuity buy-in policy with the residual assets held in cash and only a lighter touch ongoing monitoring is expected to take place from that time.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment manager.

The Trustees' policy in relation to their investment manager

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select their investment manager to meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment manager, the Trustees consider how well the investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the trustees' policies**

The Trustees have delegated the day to day management of the Scheme's residual assets to the investment manager. The Scheme's assets are invested in pooled funds which have their own policies and objectives, and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment manager to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustees, in conjunction with their investment consultant, appoint their investment manager and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment manager make decisions based on assessments about the financial and non-financial performance of underlying investments,

and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees also expect their investment manager to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the trustees' investment policies**

The Trustees expect their investment manager to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review investment manager periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees' policies, they will make their concerns known to the investment manager and may ultimately disinvest.

The Trustees pay their investment manager a management fee which is a fixed percentage of assets under management.

Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustees expect turnover costs of the investment manager to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment manager should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment manager**

The bulk annuity buy-in policies entered into by the Trustees would not normally be surrendered and is considered to be permanent .

In relation to the residual assets, the Trustees will not enter into fixed long-term agreements with their investment manager and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies.

Employer-related investments

The Trustees will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities owned by pooled investment vehicles invested in, is monitored. The Trustees have delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment manager.

Additional voluntary contributions (AVCs)

The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Scheme for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from their investment advisers.

The Trustees make available a number of investment options for the members' AVCs from the following providers: Phoenix Life Limited, Prudential and Utmost Life.

In selecting the range of funds the Trustees have taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustees' responsibilities in the selection and monitoring of the investment options offered.

The Trustees will continue to manage the AVC arrangements having taken professional advice on these matters.

The Trustees will monitor the performance of AVC providers periodically.

Members are directed to seek independent financial advice when considering their AVC arrangements.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements.

Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment managers.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Assessing the processes and the performance of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment manager(s) have cast votes on behalf of the Trustees if the Scheme were to invest in equity.
- Monitoring the financial strength of the bulk annuity provider on a regular basis to assess counterparty risk.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of the investment managers.
- Providing training or education on any investment related matter as and when the Trustees see fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment manager's main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Providing the Trustees with quarterly reports and a review of the investment performance of their portfolio.
- Meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.
- Appoint a custodian to operate the Scheme's investments and provide a statement of the security of the underlying assets annually.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

Bulk annuity provider

The Bulk Annuity provider's main responsibilities include:

- Updating Scheme data and benefits as agreed with the Trustees under the terms of the policy.
- Providing monthly payments to the Trustees of specified benefits in respect of insured beneficiaries and dependants covered under the terms of the policy.

Compliance

The Scheme's SIP is available to members on request.

A copy of the Scheme's current SIP is also supplied to the Sponsoring Employer, the Scheme's auditors and the Scheme Actuary.

This SIP supersedes all others and was approved by the Trustees.

Full name Rachel Tranter

Signature *Rachel Tranter*

Position Trustee Executive – BESTrustees Limited

For and on behalf of Trustees of Ibstock Pension Scheme

Date 04/08/2023
