

Hewland Engineering Limited 1972 Pension and Life Assurance Scheme

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated August 2023 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 October 2024 to 30 September 2025.

Investment objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 4 of the SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due;
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments;
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice;
- To target a level of hedging of 100% of the risk to funding associated with the Scheme's Technical Provisions (assuming the Scheme to be fully funded);
- To target a level of exposure to downside equity-like risk of around 15% of the Scheme's assets;
- Where future opportunities arise, the Trustees will consider further steps to reduce the volatility of the Scheme's funding position and thereby improve the security of members' benefits.

The Trustees will also have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

Review of the SIPs

The SIP was last reviewed and agreed in August 2023, to take account of the latest investment strategy which was updated over the year.

The Trustees updated their SIP following the year end to reflect their updated strategy which was implemented in October 2025. Details will be provided in the Implementation Statement covering the year to 30 September 2026.

The Trustees have a policy on financially material considerations relating to Environmental, Social, and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the

Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustees' SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated over the year.

Investment managers and funds in use

The Trustees' investment strategy during the year was as shown in the below table, which is reflected in the Trustees' SIP:

Asset Class	Fund	Target Asset Allocation
Risk-controlled multi-asset	Insight Broad Opportunities Fund	15.0%
	L&G Dynamic Diversified Fund	15.0%
Corporate bonds	Insight Maturing Buy and Maintain Fund 2026-2030	32.5%
	Insight Maturing Buy and Maintain Fund 2031-2035	
	Insight Maturing Buy and Maintain Fund 2036-2040	
Asset-backed securities	Insight LDI Liquid ABS Holding Fund	7.5%
Liability Driven Investment (LDI) funds	Insight LDI Enhanced Selection Funds	30.0%
Total		100.0%

The balance between the corporate bonds, asset-backed securities and LDI funds will vary over time. The target split between these protection assets is indicative only and the underlying objective for these assets will be to maintain the target hedging levels, which protect against changes in long-term interest rates and inflation expectations.

There have been no changes to either the Investment Managers used or the Target Asset Allocation for the Scheme's invested assets over the year.

However, Legal & General Investment Management ('LGIM') rebranded to Legal & General – Asset Management ('L&G') during the Scheme year. This change is not reflected in the August 2023 SIP, but is reflected in this Statement and is reflected in the Trustees revised SIP that was signed post year-end.

Investment governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustees in December 2022. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards.

Monitoring of investment arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with the Investment Managers (as detailed below), the Trustees receive performance reports on a quarterly basis from L&G and Insight, together with performance reports from Broadstone on a half-yearly basis to ensure the investment objectives set out in their SIP are being met.

Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may:</p> <ul style="list-style-type: none"> Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part, or all, of the future liabilities due from it. Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme. 	No deviation from this policy over the year to 30 September 2025.
Target Asset Allocation	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities, or relevant regulations governing pension scheme investment.</p>	<p>No deviation from this policy over the year to 30 September 2025.</p> <p>The Trustees' target investment strategy allocations as at the year-end are reflected in the SIP.</p>
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.	No deviation from this policy over the year to 30 September 2025.

Requirement	Policy	Implementation of Policy
Maintaining the Target Asset Allocation and Target Hedging Ratios	<p>The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation and hedging ratios on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should these move significantly away from target.</p>	<p>No deviation from this policy over the year to 30 September 2025.</p> <p>However, the asset allocation had deviated from target at year-end due to strong growth asset performance and rising interest rates reducing the value of the LDI funds. The hedging ratios were also above their respective targets at year-end.</p> <p>The overall asset allocation and hedging levels were rebalanced back towards target post year-end as part of implementing the Trustees updated investment strategy.</p>
Realising Investments	<p>The Trustees make disinvestments from the Investment Managers with the assistance of their administrator, Broadstone, as necessary, to meet the Scheme's cashflow requirements.</p>	<p>No deviation from this policy over the year to 30 September 2025.</p>
Performance Benchmarks and Objectives	<p>The multi-asset funds and asset-backed securities fund used during the year are actively managed, and the Investment Managers have been set performance objectives to achieve returns in line with, or in excess of, a market benchmark.</p> <p>The 'maturing buy and maintain' corporate bond funds used during the year are actively managed, and have an objective to capture the yield on a diversified portfolio of predominantly investment grade corporate bonds, whilst minimising the risk of default losses. The funds do not have a formal benchmark.</p> <p>The LDI funds have an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate risk and inflation risk. The practical method of implementing this level of hedging is delegated to the LDI manager, with the expectation that Insight will choose the most cost-effective method.</p>	<p>The funds' performance benchmarks and objectives were reviewed on a half-yearly basis over the year to 30 September 2025.</p> <p>There were no changes to the funds' performance benchmarks and objectives over the year.</p>

Requirement	Policy	Implementation of Policy
Investment Management Charges	<p>The annual investment management charges of the funds used during the Scheme year are set out in the Appendix to the SIP and are as follows:</p> <ul style="list-style-type: none"> • L&G Dynamic Diversified Fund: 0.40% p.a. • Insight Broad Opportunities Fund: 0.50% p.a. • Insight Maturing Buy and Maintain Funds: 0.15% p.a. • Insight Liquid ABS Holding Fund: 0.15% p.a. • Insight Enhanced Selection Funds: 0.10% p.a. of hedged liabilities <p>In addition, L&G charge a flat administration fee of £1,500 per annum.</p>	<p>There were no changes to the funds' investment management charges over the year to 30 September 2025.</p>
Financially and Non-Financially Material Considerations	<p>The Trustees' policies on financially and non-financially material considerations is set out on page 8 of the SIP and in full below.</p>	<p>No deviation from this policy over the year to 30 September 2025 (see below).</p>
Engagement and Voting Rights	<p>The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Managers.</p>	<p>No deviation from this policy over the year to 30 September 2025 (see below).</p>
Additional Voluntary Contributions ('AVCs')	<p>Members are not permitted to make AVCs to the Scheme. AVCs previously paid by members are invested with Phoenix Life.</p>	<p>No deviation from this policy over the year to 30 September 2025.</p>

Financially and non-financially material considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustees' views on how ESG issues are taken account of in each asset class used during the Scheme year are set out below.

Asset Class	Active/Passive	Trustees' Views
Multi-asset	Active	The Trustees expect the Investment Managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect their Investment Managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Corporate bonds	Active	The underlying assets of the corporate bond funds do not typically contain voting rights. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Asset-backed securities	Active	The underlying asset-backed securities do not contain voting rights. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
LDI funds	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time. The Trustees receive information on request from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

Voting rights

The Trustees currently invest in pooled investment funds with the Investment Managers, and they acknowledge that this limits their ability to directly influence the Investment Managers. In particular, all voting activities have been delegated to the Investment Managers, as the Trustees are unable to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustees periodically meet with their Investment Managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Managers on these matters where they think this is in the best interests of members.

Out of the funds held by the Trustees over the year, the L&G Dynamic Diversified Fund and Insight Broad Opportunities Fund contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to the managers, where each manager sets its own voting policy.

A summary of the votes made by the managers from 1 October 2024 to 30 September 2025 on behalf of the Trustees for each fund used by the Scheme during the year that includes voting rights was requested from the managers. It was requested that the managers provide voting data broken down into Environmental, Social, and Governance categories. However, the managers advised that the data is not yet available in this format. The breakdown of this data will continue to be requested in future periods. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
L&G	Dynamic Diversified Fund	102,035	76%	23%	1%
Insight	Broad Opportunities Fund	145	99%	1%	-

At the year end, all of the Scheme's assets were invested in pooled funds. Information regarding proxy voting, for each manager the Scheme invested with during the year in a fund that has voting rights, is shown below:

- L&G do not use a proxy voting service to determine their voting policy, which is formed in-house. L&G do, however, use Institutional Shareholders' Service's (ISS's) Proxy Exchange voting platform to vote on resolutions electronically.
- Insight use Minerva Analytics as a third-party proxy voter.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by each manager of a fund the Scheme invested in that has voting rights. In determining significant votes, each manager's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement;

- Votes linked to any manager engagement campaign, for example in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following are the most significant votes undertaken on their behalf over the Scheme year:

SIGNIFICANT VOTE 1	
Investment Manager	L&G
Company	Microsoft Corporation
Date of vote	10 December 2024
Percentage of portfolio invested in Company at date of vote	L&G Dynamic Diversified Fund: 0.5%
Resolution	Report on Artificial Intelligence (AI) Data Sourcing Accountability
Why significant	L&G consider this shareholder resolution to be significant due to the relatively high level of support received.
Voting decision	Voted For
Manager comments	<i>"A vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models."</i>
Vote outcome	Resolution Failed

SIGNIFICANT VOTE 2	
Investment Manager	Insight
Company	The Renewables Infrastructure Group
Date of vote	27 June 2025
Percentage of portfolio invested in Company at date of vote	Insight Broad Opportunities Fund: 0.7%
Resolution	To re-elect as a director, Richard Morse
Why significant	Insight selected this example to highlight their investment approach in relation to their infrastructure holdings, in particular their use of pro-active engagement opportunities to influence the company's decision making in areas affecting governance, strategy, or long-term value.
Voting decision	Voted Against

Manager comments	<p><i>“In February 2025, the company announced IMA and Operations Management changes that we believed had the potential to 1) incentivise debt refinancing – which would be detrimental to flow of distributions to shareholders, and 2) undermine Board’s independence by appearing to favour InfraRed through fees payable to them in the event of a takeover. We challenged these proposals in engagement with board [...].</i></p> <p><i>Ultimately, the majority of the proposed changes were reversed. However, in light of the Board making unilateral changes to fee arrangements without shareholder engagement, we were of the opinion that the board should be held accountable and therefore voted against the re-election of the board chair.”</i></p>
Vote outcome	Resolution Passed

Engagement activities

The Trustees have also delegated engagement activities to the Investment Managers. A notable engagement activity of each Investment Manager the Scheme invested with during the year is provided below:

- **L&G** engaged with Colgate-Palmolive, an American multinational consumer products company, focusing on the company’s deforestation approach as well as challenges and opportunities in meeting their deforestation management commitments. L&G met with the company’s Chief Sustainability Officer, and explored how the company is ensuring supplier compliance and increased traceability across commodities in their supply chain, as well as the suitability of the company’s escalation procedures for non-compliance.

L&G also sought to encourage increased oversight from the Board of Directors, and prioritisation of the issue of deforestation within the company’s risk management agenda. L&G noted that the company have demonstrated progress in appreciating responsible sourcing as a critical issue, whilst building relationships and furthering engagement with their suppliers and ending relationships with those found to be non-compliant. L&G note that, overall, the company meets their minimum expectations on deforestation management.

L&G note that Colgate-Palmolive have introduced satellite imaging for monitoring purposes, and are undertaking the complex process of mapping palm oil derivatives. L&G also note that the frequency of Board-level updates on deforestation has increased.

L&G wished to engage further with the company in 2025, with a focus on traceability progress across key commodities, along with collaborative efforts with their peers to eliminate net deforestation. L&G will also look to further discuss the company’s work on mapping and addressing deforestation risks in their supply chain.

- **Insight** engaged with the Australian federal government (the Commonwealth Government) and Treasury to discuss the sovereign’s net-zero strategy and Nationally Determined Contributions (NDCs). The initiative aims to reduce climate-related risks associated with sovereign bonds by strengthening sovereign climate policy, transparency and implementation.

The collaborative pilot engagement began in 2023–2024, focusing on Australia’s inaugural federal green bond programme and sustainable finance strategy through discussions with the Australian Office of Financial Management (AOFM) and Treasury to understand plans for green bond issuance in 2024 and how climate finance would be integrated into fiscal policy. In 2025, Insight’s agenda included engagement with the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and Treasury to inform Australia’s forthcoming 2035 NDC. Insight has engaged in calls and written correspondence with DCCEEW and related branches, and emphasised the need for credible sectoral pathways, clear implementation plans, transparent financing assumptions and strategy and governance details which are key building blocks for an investable NDC. The manager drew from their role within the IIGCC UK Policy Working Group to highlight the need for alignment

with best practices for sector decarbonisation roadmaps on decision-usefulness, links to policy certainty and stability, and clarity around financing mechanisms.

Insight continues to ensure the NDC reflects the strongest possible level of ambition and credibility and meets investor needs, and will continue to review developments Australia intends to publish its 2035 NDC later in 2025.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Signed: Curtis Mitchell

Date: 16 April 2026

On behalf of the Trustees of the Hewland Engineering Limited 1972 Pension and Life Assurance Scheme