

Shanks Group Pension Scheme

Statement of Investment Principles

This document is the Statement of Investment Principles (“SIP”) for the Shanks Group Pension Scheme required under the Pensions Act 2005. This SIP is produced to meet the requirements of the Pensions Acts 1995 and 2004, the Occupational Pension Funds (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK.

This SIP has been adopted by the Trustee of the Shanks Group Pension Scheme ("the Scheme") to meet the requirements of the relevant legislation. The Trustee also complies with the requirements to maintain and take advice on the SIP and with the disclosure requirements.

This Statement of Investment Principles sets out to address specific aspects of the Scheme, in particular;

- Governance
- Investment Objectives
- Risk Measurement and Management
- Investment Implementation
- Responsible Investment.

June 2026

GOVERNANCE

The Trustee of the Scheme is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee • Set structures and process for carrying out their role. • Select and monitor planned asset allocation strategy. • Select direct investments (see below). • Select investment advisers and fund managers • Decide on investment structures and their implementation. • Monitor investment advisers and fund managers. • Select structure for implementing investment strategy. • Monitor direct investments. • Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
Investment Adviser • Advise on all aspects of the investment of the Scheme's assets, including implementation. • Advise on this statement. • Available to provide investment training as required.
Fiduciary Managers • Operate within the terms of their written contracts, which are consistent with the terms of this statement. • Select individual asset classes and best in class investment managers with regard to their suitability and diversification. • Manage the Scheme's investments with regard to the liabilities. • Monitor underlying fund manager performance and select and deselect as appropriate.
Fund Managers • Operate within the terms of their written contracts, which are consistent with the terms of this statement. • Select individual investments with regard to their suitability and diversification.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**, and include:

- The contracts with Utmost Life and Pensions Limited (closed to new contributions), Standard Life Assurance Limited and Royal London Mutual Insurance Society Limited (closed to new contributions) which are used for members' additional voluntary contributions (AVCs).

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually).

When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries;
- Security;
- Quality;
- Liquidity;
- Profitability;
- Nature and duration of liabilities;
- Tradability on regulated markets;
- Diversification; and
- Use of derivatives.

The Trustee's investment adviser, Aon Investments Limited, has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund and fiduciary managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund manager. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments;
- Voting and corporate governance in relation to the Scheme's assets.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

INVESTMENT ADVISER

Aon Investments Limited has been selected as investment adviser to the Trustee. They operate under an agreement to provide a full service designed to ensure that the Scheme Trustee is fully briefed both to make the decisions they take themselves and to monitor those they delegate. They are paid for advice received on the basis of an agreed annual basis points fee linked to the value of the Scheme's assets, which covers all services needed on a regular basis, including quarterly monitoring of the performance of the Scheme's investments and its managers as well as attendance at Trustee meetings. For significant areas of advice that are agreed to be outside of the contract, the investment advisors will be paid according to the amount of time that is needed to advise the Trustee, although fixed fees may be negotiated for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

Investment Objective

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee considered a range of investment strategies. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation.

The Trustee therefore retains overall responsibility for setting asset allocation, and takes expert advice as required from its professional advisers. Additionally, the Trustee has appointed Aon Investments Limited ("AIL") Delegated Consulting Service ("DCS") to manage the majority of the Scheme's assets. Within both the Growth Component and Liability Hedging Component of DCS, the Trustee has delegated responsibility to set the asset allocation to AIL. This has been done to further aid the diversification of the Scheme's assets and to reduce the investment risk relative to the Scheme's liabilities. Within the Growth Component, the Trustee has provided guidelines to AIL to only invest in credit assets.

The Trustee, on advice from its Investment Adviser, set a performance objective for AIL. The current performance objective is to outperform the liability benchmark by 0.5% p.a. over the long term.

The Trustee reviews its investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

The Trustee's investment advisers modelled the Scheme's assets and liabilities for a range of alternative asset allocation strategies. A variety of different investment scenarios were modelled with the assumption that return-seeking assets would outperform bonds over a long time period, and that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in return-seeking asset returns, particularly relative to the Scheme's liabilities, and the risk that the fund and fiduciary managers do not achieve the targets set. Certain alternative investments have characteristics that cannot be modelled. Therefore, decisions about their inclusion will be addressed, if necessary, using qualitative judgements. The written advice received addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

RISK MEASUREMENT AND MANAGEMENT

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and its advisers will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee (“manager risk”). This includes not taking financially material risks, such as environmental (including climate change), social and governance considerations into account during the investment process. This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its advisers considered this risk when setting the Scheme’s investment strategy and have also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.
- The possibility of failure of the Scheme’s Sponsoring Employer (“covenant risk”). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme’s liabilities and implemented it through AIL, the Trustee’s policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Performance versus the Scheme investment objective.
- Performance of AIL versus its respective target.
- Any significant issues with AIL that may impact its ability to meet the performance targets set by the Trustee.

The Trustee has appointed Aon Investments Limited to alert them on any matters of material significance that might affect the ability of AIL to achieve its objectives.

IMPLEMENTATION

The Trustee has appointed AIL's DCS to manage the Scheme's assets. Within both the Growth Component and Liability Hedging Component of DCS, the Trustee has delegated responsibility to set the asset allocation to AIL, subject to the guidelines provided.

The Trustee, on advice from its Investment Adviser and in consultation with the Sponsoring Employer, may reduce the performance objective and in doing so adjust the asset allocation between the Growth and Liability Hedging Components to reduce risk if the funding level improves.

If the funding level falls sufficiently, the Trustee may also consider, in consultation with the Sponsoring Employer, increasing risk in the Scheme to target higher returns. This may involve switching holdings from the Liability Hedging Component to the Growth Component.

The DCS Growth Component invests only in credit assets, in a range of investment funds, with the target of achieving asset growth in excess of the growth of the Scheme's liabilities over the long term.

The DCS Liability Hedging aims to match a percentage of the Scheme's fixed interest and inflation linked liabilities through the use of bonds, interest rate swaps, and / or inflation swaps.

ARRANGEMENTS WITH ASSET MANAGERS

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee has appointed AIL as its fiduciary manager, who it considers to be their asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which AIL in turn appoints to manage investment on behalf of the Trustee.

The Trustee recognises that the arrangements with AIL, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives regular reports and verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives, and assess AIL over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with AIL and request that they review and confirm whether its approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying asset managers to AIL. AIL monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to AIL, and regular monitoring of AIL's performance and investment strategy, is sufficient to incentivise AIL to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where AIL is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically engage with AIL to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with AIL, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on their behalf.

Environmental, Social, and Governance (“ESG”) considerations

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The Trustee considers these risks by taking advice from its investment adviser.

As part of AIL's management of the Scheme's assets, the Trustee expects AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

The process for identifying and assessing climate-related risks and opportunities is captured by:

- Our advisers demonstrating how they have considered short and long-term climate change risks and opportunities when providing new strategic investment advice, new mandates, new funding plans and new advice on the covenant.
- Investments that are Buy rated by Aon having at least an appropriate or advanced process to identify, evaluate and mitigate potential financially material ESG risks, including climate change, within the portfolio.
- Our asset managers demonstrating how they have considered short and long-term climate change risks and opportunities when reporting on their portfolios.

This will enable us to understand what measures are being taken to reflect climate change opportunities and risk within the investments, funding and covenant.

Although not required to align our investment and funding plans with the objectives of the Paris Agreement and other climate change goals, such as the UK's own target of net zero emissions by 2050, when interviewing managers and/or making decisions we will consider the manager's objective and available carbon metrics and be aware whether it contributes towards the goals.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee has delegated all voting and engagement activities to the Scheme's Underlying Managers, via its investment manager AIL. The Trustee accepts responsibility for how the Underlying Managers steward assets on its behalf, including the casting of votes in line with each Underlying Manager's individual voting policies. The Trustee relies on AIL to review manager voting and engagement policies and activities on an annual basis. AIL review these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustee's, and therefore the members', best interests.

As part of AIL's management of the Scheme's assets, the Trustee expects the manager to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustee's voting rights in relation to the Scheme's assets; and
- Report to the Trustee on stewardship activity by underlying asset managers as required.

Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustee.

Where voting is concerned we would expect our underlying asset managers, to recall stock lending, as necessary, in order to carry out voting actions.

The Trustee may engage with its fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance,

capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with AIL to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Investment Decision Making

The Trustee recognises that behavioural biases potentially affect decisions. It has considered and understands personal biases, which is expected to improve outcomes.

The Trustee understands the types of protection available for different types of investments.

Cost Monitoring

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustee receives annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for AIL. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the AIL;
- The fees paid to the underlying asset managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the underlying asset managers appointed by AIL;
 - The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying asset managers appointed by AIL;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)

- The impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying asset managers appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by AIL in two key cost areas:

- The ability of AIL to negotiate reduced annual management charges with the appointed underlying asset managers;
- The ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying asset managers and achieve efficiencies where possible;

Evaluation of performance and remuneration:

The Trustee assesses the (net of all costs) performance of AIL on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to AIL and fees incurred by third parties appointed by AIL are provided annually by AIL to the Trustee. This cost information is set out alongside the performance of AIL to provide context. The Trustee monitors these costs and performance trends over time.

Appendix I

This SIP was formally adopted by the Trustee on and has been signed in acknowledgement by the Chair of the Trustee.

Signatory

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Chair of the Trustee

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Date

The following table records changes to this document:

Version	Document Name	Nature of Change	Date
2005 V1	S:\CLIENT\SHANKS&M\151 SIP March 05.doc	Initial creation	Mar 2005
2006 V1	S:\CLIENT\SHANKS&M\165 Shanks SIP March 2006.doc	Addition of policy on risk	Mar 2006
2007 V1	S:\CLIENT\SHANKS&M\192 Shanks SIP Sept 2007.doc	Update to reflect move to Standard Life	Sep 2007
2007 V2	S:\CLIENT\SHANKS&M\194 Shanks SIP Nov 2007.doc	Changes to investment strategy benchmark	Jul 2008
2008 V1	S:\CLIENT\SHANKS&M\224 Shanks SIP December 2008.doc	Miscellaneous changes by Trustees	Dec 2008
2010 V1	O:\CLIENTS\SHANKS&M\252 Shanks SIP 8 September 2010.doc	Changes to SL cash fund, Newton mandate and LGIM mandate	8 September 2010
2012 V1	S:\Clients\Shanks&M\325 Shanks FINAL SIP August 2012.doc	Flightpath, Newton RRF	August 2012
2012 V2	S:\Clients\Shanks&M\349 Shanks Final SIP Feb 2013.doc	Aberdeen appointment, change to L&G and Newton mandates	February 2013
2015 V1	O:\CLIENTS\SHANKS&M\SIPs\Shanks DRAFT SIP June 2015.doc	Appointment of AIL for DB Pension Scheme assets	June 2015
2015 V2	O:\CLIENTS\SHANKS&M\SIPs\Shanks DRAFT SIP September 2015.doc	Revised DC section	September 2015
2017 V1	O:\CLIENTS\SHANKS&M\SIPs\2017 update\Shanks DRAFT SIP June 17.doc	Update to reflect strategy changes	7 June 2017
2019 V1	O:\CLIENTS\SHANKS&M\SIPs\2019 Update - ESG\Shanks SIP September 2019 - Tracked Changes.doc	Update to meet new regulatory requirements regarding material non-financial matters, and to update for flight path changes	September 2019

2020 V1	O:\CLIENTS\SHANKS&M\SIPs\2020 Update\Shanks SIP June 2020 - Tracked Changes.doc	Update to meet new regulatory requirements regarding arrangements with investment managers, cost monitoring and stewardship. Update name of Aon legal entities. Removed DC section.	September 2020
2022 V1	O:\CLIENTS\SHANKS&M\SIPs\2022\Shanks SIP March 2022 - Tracked Changes.doc	Update to remove references to funding level triggers	March 2022
2023 V1	D:\SHANKS&M\SIPs\2023 - Tracked Changes.doc	Update to reflect latest DWP guidance with regards to stewardship.	August 2023
2024 V1	D:\SHANKS&M\SIPs\2024\ Shanks SIP December 2024 - Tracked Changes.doc	Update to reflect latest General Code wording for DB Investment Implementation	December 2024
2026 V1	D:\SHANKS&M\SIPs\2026\Shanks SIP June 2026 - Tracked Changes.doc	Update to reflect strategy changes	June 2026