

The Pension and Life Assurance Plan of Allott and Lomax

Statement of Investment Principles

March 2026

Statement of Investment Principles

The Trustee of the Pension and Life Assurance Plan of Allott and Lomax (“the Plan”) has prepared this Statement of Investment Principles (“the SIP”) in accordance with the Pensions Act 1995¹ (“the Act”) as amended and the Occupational Pension Plan (Investment) Regulations 2005 as well as the principles recommended by the Myners Code.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustee in respect of assets covering Defined Benefit liabilities and AVCs.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP, the Trustee has:

- Obtained and considered the written advice from the Plan’s Investment Consultant, XPS Group, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

Choosing investments

The Trustee set the investment strategy and investment policies for the Plan.

The Trustee has considered the Plan’s liabilities and strength of Employer covenant when setting the investment strategy and policies.

The Trustee relies on Investment Manager for the day-to-day management of the Plan’s assets but retains control over all decisions made about the investments in which the Plan invests.

Where the Investment Manager is delegated discretion under Section 34 of the Act, the Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Trustee relies on the Investment Manager to appoint appropriate Custodians for pooled funds who are responsible for the safekeeping of the assets of the Plan.

The Trustee relies on the Investment Manager to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Plan’s entitlement within the pooled funds.

¹ As amended 31st March 2019

Investment objective and strategy

Investment objective

The Trustee has set the following objectives:

- To set an investment strategy that adheres to the Plan's Statement of Funding Principles such that the expected future investment returns are sufficient to ensure that assets are available to meet all liabilities as and when they fall due.
- To acquire suitable assets to achieve the above objectives whilst controlling the volatility of the funding position and long-term costs of the Plan.
- To adhere to the provisions contained within this SIP.

Investment strategy

The Trustee intends to meet the investment objective by investing in a portfolio of liability-matching assets through physical gilts and corporate bonds.

The Trustee has full regard to its investment powers as set out in the Trust Deed and Rules.

The actual strategy adopted for the Plan, including the allocation to different assets, and expected returns is set out in the Appendix.

Investment restrictions

The Trustee intends to adhere to the following restrictions:

- No more than 5% of Plan assets can be held in investments related to the Employer.
- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g. for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.

Investment risk

The Trustee has identified a number of risks including (but not limited to):

- Employer covenant risk
- Liability risks: Interest rate risk, Inflation risk, Longevity risk
- Asset risks: Equity risk, Property risk, Currency risk, Credit risk, Interest rate risk, Inflation risk
- Strategy risks: Asset allocation risk, Liquidity risk (including collateral risk), Growth asset risk (including currency risk)
- Implementation risks: Investment manager risk, Counterparty risk, Operational risk

These risks are measured and managed by the Trustee as follows:

- The Trustee has set an investment strategy that adheres to the contents of this SIP.
- The Trustee receives strategic investment advice from the Investment Consultant that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustee undertakes regular monitoring of the Plan's investments supplemented by information provided by both the Investment Manager and Investment Consultant, as well as advice from the latter.
- The Trustee periodically assess the strength of the Employer covenant and use external expertise where appropriate.
- The Trustee delegates the day-to-day management of some of these risks to the appointed Investment Manager.
- The Trustee considers the Investment Managers' role and approach to managing risk when selecting appropriate Investment Managers.
- The Trustee utilises custodian relationships to ensure Plan assets are held securely.
- The Trustee assesses whether appropriate controls are put in place by themselves, the Investment Consultant, Investment Managers and Custodians (where there is a direct relationship).

Realising investments

The Trustee recognises that assets may need to be realised to meet Plan obligations at any time.

The Trustee will ensure that an appropriate amount of readily realisable assets are held at all times, and this will be part of the assessment for including new investments within the strategy.

The Trustee will from time to time agree a policy for sourcing cash from the investments as required. Further details are set out in the Appendix.

Range of assets

Based on the structure set out in the Appendix, the Trustee considers the arrangements with the Investment Manager to be aligned with the Plan's overall strategic objectives. Details of each specific mandate are set out in the agreements and pooled fund documentation with the Investment Manager.

The Trustee will ensure that the Plan's assets are invested in regulated markets to maximise their security.

The Investment Manager is incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Manager as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations.

The Trustee encourages the Investment Manager to make decisions in the long-term interests of the Plan. The Trustee expects engagement with management of the underlying issuers of debt. This expectation is based on the belief that such engagement can be expected to help the Investment Manager to mitigate risk and improve long term returns. As covered in more detail in the responsible investment section, the Trustee also requires the Investment Manager to take ESG factors and climate change risks into consideration within their decision-making, as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore make decisions about the retention of the Investment Manager, accordingly.

Investment Manager Arrangements

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustee receives regular performance monitoring updates from the Investment Consultant which consider performance over various periods. In addition, any significant changes relating to the ratings criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Portfolio turnover

The Trustee requires the Investment Manager to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence

Responsible investment

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustee may periodically meet with their Investment Manager to discuss engagement which has taken place. The Trustee will also expect their Investment Consultant to engage with the Investment Manager from time to time as needed and report back to the Trustee on the stewardship credentials of their Manager. The Trustee will then discuss the findings with the Investment Consultant, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a Manager's compliance with best practice stewardship standards.

The Trustee has considered their approach to environmental, social and corporate governance ("ESG") factors for the long-term horizon of the Plan and believe there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's Investment Manager. The Trustee requires the Plan's Investment Manager to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Consultant on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Manager from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

As the Plan invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustee has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Manager and encourages them to engage with the investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The Trustee requires the Investment Manager to report on significant votes made on behalf of the Trustee (if applicable).

If the Trustee becomes aware of the Investment Manager engaging with the underlying issuers in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation, then the Trustee may consider terminating the relationship with the Investment Manager.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Plan, although they have neither sought nor taken into account the beneficiaries' views on the risk including (but not limited to) ethical, social and environmental impact.

Appendix – Investment strategy

Overall strategy

The investment strategy of the Plan is summarised in the table below.

Asset class	Manager and fund	Objective	Strategic allocation	Expected return (above gilts pa)	AMC (pa)
Credit	M&G All Stocks Corporate Bond Fund	To outperform the iBoxx Sterling Non-Gilts Index by 0.8% per annum (gross of fees) on a rolling three year basis.	28%	0.57%	0.30%
Gilts	M&G PP Fixed Interest Fund	To outperform the iBoxx Sterling Gilts Index by 0.75% per annum (gross of fees) on a rolling three year basis.	36%	-0.10%	0.25%
Index-Linked Gilts	M&G PP Index-Linked Passive Fund Acc	To match the performance of the iBoxx UK Gilt Inflation-Linked Over 5 Year Index as closely as possible.	33%	-0.10%	0.10%
Cash	M&G Cash Fund	To perform in line with SONIA (gross of fees) on a rolling three year basis.	4%	-0.10%	0.10%
			100%*	0.10%	0.20%

*May not add up due to rounding.

Return expectations quoted above are best estimates for long-term returns and reflect assumptions used by XPS as at 31 December 2025.

AMC = Annual Management Charges

Trading spreads and transaction costs for changing funds will be communicated as part of the formal advice when considering any strategic changes.

Liability hedging

This matching portfolio comprises the credit and LDI funds and is designed to achieve liability hedging of:

- 90% of the interest rate risk, as a proportion of the Plan's total liabilities, as assessed against the XPS Buy-out basis (as at 31 May 25).
- 90% of the inflation risk as a proportion of the Plan's total liabilities, as assessed against the XPS Buy-out basis (as at 31 May 25).
- **Rebalancing investments**

The Plan does not have any formal rebalancing arrangements in place. The Trustee will review the allocation quarterly and if required will instruct the Investment Manager to rebalance towards the strategic allocation.

Realising investments

Where assets need to be realised, the Trustee will consult with the Investment Consultant regarding the source and timing of disinvestments. It is envisaged that disinvestments will be sourced from the M&G Cash Fund.

AVCs

The Trustee has made the following AVC investment options available to members of the Plan:

- Clerical Medical

The Trustee will review the AVC provider, as well as the funds available, in the light of their performance on a periodic basis. Performance of these funds will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options.

The Trustee is aware that members' AVC funds are subject to the same risks faced by the Plan's investments, such as inflation risk eroding real returns. In addition, AVC members face the risk that their investments will not meet their future expectations (for example, if they are planning to purchase an annuity at retirement), lack of transparency on how their fund is managed and also that their AVC fund may fall in value.

The Trustee considers that, in making a number of funds available, they provide these members with sufficient options to meet their reasonable expectations and to mitigate the risks faced.



XPS Pensions Consulting Limited, Registered No. 2459442.
XPS Investment Limited, Registered No. 6242672.
XPS Pensions Limited, Registered No. 3842603.
XPS Administration Limited, Registered No. 9428346.
XPS Pensions (RL) Limited, Registered No. 5817049.
Trigon Professional Services Limited, Registered No. 12085392.
Penfida Limited, Registered No. 08020393.
Polaris Actuaries and Consultants Ltd, Registered No. 09640309.
All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.
XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).
An XPS Group Company

XPS Group
100 Embankment
Cathedral Approach
Manchester
M3 7FB