

## Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustees of the Cooper Gay (Holdings) Limited Retirement Benefits Scheme (“the Scheme”) in accordance with the Pensions Act 1995 (as amended). The statement, which was approved by the Trustees on 7 October 2025, is subject to periodic review by the Trustees at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustees consulted with the principal employer to the Scheme and have taken written advice from the Investment Practice of Hymans Robertson LLP.

The Scheme is a defined benefit scheme which closed to new members on 1 October 2001, however, still allows further accruals for existing members.

The Trustees are supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustees expect investment managers to comply with the code and to produce a statement of their commitment to the code.

### Scheme Objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Trustees’ over-riding funding principle for the Scheme are to set the employer contribution at a level which is sufficient:

- To build up assets to provide for new benefits of active members as they are earned;
- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For employee members, benefits are based on service completed but makes no allowance for future salary increases since pensionable salaries are frozen. The value of liabilities is calculated on the basis decided by the Trustees after consultation with the principal employer having taken advice from the Scheme Actuary. The Trustees also consider the Scheme’s funding position on a basis consistent with insurance buy-out as its long term objective. These funding positions are monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

### Investment Strategy

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme. All day-to-day investment decisions have been delegated to a number of authorised investment managers. The strategic benchmark has been translated into benchmarks for the individual managers which are consistent with the Scheme’s overall strategy. The Scheme benchmark is consistent with the Trustees’ views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding basis used) and the Trustees’ assessment of the covenant of the principal employer.

The Trustees monitor fund performance relative to their strategic asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, and will normally be reviewed annually. In reviewing the investment strategy, the Trustees will seek written advice as required.

The Trustees have delegated all day-to-day investment decisions to authorised investment managers.

To achieve their objectives the Trustees have agreed the following:-

### **Choosing Investments**

The Trustees have appointed investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustees, after seeking appropriate investment advice, have given the managers specific directions as to the asset allocation but investment choice will be delegated to these managers subject to their respective benchmarks and asset guidelines.

Given the size and nature of their scheme, the Trustees have decided to invest on a pooled fund basis; any such investment is affected through a direct agreement with an investment manager and/or through an insurance contract. In either event, where applicable, the investment manager of each underlying pooled fund has full discretion over the choice of individual securities and is expected to maintain a diversified portfolio. The Trustees are satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

The Trustees have appointed each of the Scheme's investment managers to deliver a specific benchmark, which overall will align to deliver the broader Scheme investment strategy. The Trustees ensure that all manager engagements have clearly defined benchmarks, objectives, and management parameters.

The Trustees invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustees to ensure that they are appropriate for the needs of the Scheme.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set as a percentage of assets under management. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustees may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustees periodically review the fees paid to all of the Scheme's managers against industry standards.

The Trustees review the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustees seek and consider written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustees are proposed, appropriate advice is sought and considered to ensure its suitability.

The Trustees recognise the long-term nature of the Scheme's liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustees will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustees generally engage managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustees expect the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their

continued appropriateness within the investment strategy. For close-ended investments, the Trustees expect the term of the appointment to be the lifetime of the investment.

The Trustees will measure a fund's relative tracking error where appropriate. Managers are expected to provide explanation for any significant deviations away from benchmark or target.

The Trustees review the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

A summary of the Scheme's investment mandates and the respective benchmarks and targets is included in the appendix.

### **Kinds of investment to be held**

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property, either directly or through pooled funds. The Scheme may also invest in alternative assets including insurance-linked securities, asset-backed securities, private debt and infrastructure to provide diversification and to help reduce risk of the Scheme's overall portfolio. The Scheme may also make use of derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. In line with the long-term strategy for heading towards a buy-out, the Scheme has disinvested from all the equity and infrastructure mandates. The Trustees consider all of these classes of investment to be suitable in the circumstances of the Scheme.

### **Balance between different kinds of investments**

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market each manager will maintain a diversified portfolio of stocks through pooled vehicles.

### **Risk**

The Scheme is exposed to a number of risks which pose a threat to meeting its objectives. The principal risks affecting the Scheme are:

#### **Funding risks**

- Financial mismatch – 1) The risk that Scheme assets fail to grow in line with the developing cost of meeting Scheme liabilities. 2) The risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.
- Changing demographics – The risk that longevity improves and other demographic factors change increasing the cost of Scheme benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Scheme liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustees measure and manage financial mismatch in two ways. As indicated above, they have set a strategic asset allocation benchmark for the Scheme. They assess risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. They also assess risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Trustees keep under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation and the Trustees may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

The Trustees seek to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

#### **Asset risks**

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving the funding objectives.
- Illiquidity – The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (ESG) risks – The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making, leading to underperformance relative to expectations.
- Climate risk – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy

The Trustees measure and manage asset risks as follows. They provide a practical constraint on Scheme investments deviating greatly from the intended approach by setting diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Trustees' expected parameters.

By investing across a range of assets, the Trustees have recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Trustees have considered the risk of underperformance by any single investment manager.

The Trustees do not expect managers to take excess short-term risk and will regularly monitor managers' performance against the benchmarks and objectives set on a short, medium and long terms basis.

The Trustees' approach to the consideration of ESG risks and climate risk are set out in further detail below.

#### **Other provider risk**

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk – The risk of loss of Scheme assets or a loss of economic rights to Scheme assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme or has delegated such monitoring and management of risk to

the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustees seek professional advice.

### Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the Scheme Actuary in funding the Scheme.

### Realisation of investments

The majority of the Scheme's investments may be realised quickly if required.

### Investments not traded on regulated markets

The majority of the Scheme's assets are invested in regulated markets. However, the Scheme has some exposure (0.4% of the total portfolio as at 30 June 2025) to private debt assets managed by Partners Group but these are due to be paid by the end of 2025.

### Portfolio turnover

The Trustees have expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustees' knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expect managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustees will challenge the Scheme's managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

### Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustees further recognise that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustees take a proportionate approach recognising the time horizon of the Scheme.

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

The Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark, however as the Scheme's assets are managed and advised by third parties, the Trustees expect the Scheme's managers to integrate climate risk and opportunities in their investment strategies, and make progress towards understanding and taking action on the climate risks in the Scheme's chosen portfolios and provide evidence of this through specific examples in manager review meetings and annual reports.

Within active mandates, the Trustees have delegated responsibility for the consideration of stock specific issues to their individual investment managers.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustees explicitly consider potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making. Minimum manager standards for responsible investment are expected (e.g. being a signatory to the Principles for Responsible Investment unless there is good justification for the manager adopting a different approach).

The Trustees meet with the Scheme's investment managers as required, and the managers are expected to address manager performance and company engagement. Managers will be challenged on their approach where this is not aligned to the Trustee's policies.

The Trustees expect the Scheme's investment adviser to provide input and analysis to assist the Trustee in assessing their managers' performance. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process and request that the manager takes appropriate action. This may include concerns over performance, risk management, stewardship practices, investment process and operational issues and, where such concerns are raised, the Trustees will require the manager to demonstrate levels of improvement. Failure to achieve the desired improvements will result in the mandate being reduced or terminated.

### **Consideration of non-financially material factors in investment arrangements**

Given the objectives of the Scheme, the Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy.

The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

### **Stewardship**

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. Following the sale of the Scheme's equities, the Scheme does not have attaching voting rights and therefore engagement will centre on the fixed income funds, in terms of the managers' assessment of the credit worthiness of the underlying securities. The investment adviser will continue to monitor the managers and assess their ESG capabilities and will report to the Trustees on any areas of concern.

For credit assets, the Trustees do not engage directly but believe it is sometimes appropriate for the Scheme's investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustees will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustees expect the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustees separately consider any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflict of interest policy in place.

### **Additional Voluntary Contributions (AVCs)**

The Trustees give members the opportunity to invest in a range of vehicles at the members' discretion.

**Appendix****Manager benchmarks and performance targets**

| Manager                    | Mandate                             | Date appointed    | Benchmark indices              |
|----------------------------|-------------------------------------|-------------------|--------------------------------|
| <b>Legal &amp; General</b> | Liability Driven Investment ("LDI") | 1 March 2013      | Bespoke                        |
| <b>M&amp;G</b>             | Asset-backed Securities             | 15 September 2017 | £ 3-Month SONIA + 1.75% p.a.   |
| <b>Partners Group</b>      | Private Lending                     | 23 September 2017 | £ 3-Month SONIA + 4% p.a.      |
| <b>Legal &amp; General</b> | Sterling Liquidity                  | 5 July 2018       | 3-Month SONIA                  |
| <b>Legal &amp; General</b> | Buy and Maintain Credit             | 28 February 2022  | iBoxx Non-Gilts All Maturities |

In Q4 2024/Q1 2025, as a part of a derisking exercise and for closer alignment with insurer pricing, the Scheme divested its holdings in infrastructure and equity asset classes.

In addition, in Q3 2025 LDI trades were conducted to rebalance to the 95% target hedge ratios for both interest rate and inflation on gilts based on the updated LDI benchmark after conclusion of the 31 December 2024 actuarial valuation.