

GCP UK PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES – December 2024

1. Introduction

This Statement of Investment Principles (“the Statement”) sets down the principles governing decisions about investments for the GCP UK Pension Plan (“the Plan”) to meet the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation. Before preparing it, the Trustee has consulted GCP Products (UK) Limited (“the Principal Employer”) and obtained and considered written professional advice from the Plan’s investment consultant, Mercer Limited (“Mercer”). The Trustee will review this Statement on a regular basis.

The investment responsibilities of the Trustee are governed by the Plan’s Trust Deed. A copy of the relevant clauses is available for inspection upon request.

The Trustee does not expect to revise this Statement frequently because it covers broad principles. However, the Trustee will review the Statement at least once every three years, and without delay if there are relevant, material changes to the Plan and/or the sponsoring company. These include changes in the Plan’s liabilities and finances and in the attitude to risk of the Trustee or the sponsor company.

2. Process For Choosing Investments

The Trustee’s main aims are:

- To ensure that the Trustee can meet its obligations to the beneficiaries of the Plan;
- To pay due regard to the Company’s interests on the size and incidence of employers’ contribution payments.

As a key step to achieving these aims, the Trustee, following consultation with the Company, entered into a further bulk annuity contract with Just Group plc (“Just”) in November 2024 (with the former bulk annuity contract transaction in 2015), covering the remaining uninsured liabilities of the Plan, with the exception of a small portion of residual liabilities that will continue to be met by the Plan. Just is authorised by the Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK.

For the residual assets to be invested by the Trustee post completion of the bulk annuity purchase, the process for selecting investments is as follows:

- Identify an appropriate investment objective(s);
- Agree the target level of investment risk consistent with meeting the objective(s) set; and
- Construct a portfolio of investments that is expected to meet the agreed objective(s) in an efficient manner (measured with reference to expected risk relative to the Plan’s residual liabilities).

In considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the opinion of the Trustee, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The primary objective of the Trustee is to invest the Plan's assets in the best interest of the members and beneficiaries, and in doing so, to meet the obligations to the beneficiaries. With the exception of a small portion of residual liabilities, which will continue to be met by the Plan, future benefits from the Plan will be funded by the bulk annuity policies.

The Trustee has agreed that the key objective in order to meet the obligations in relation to the residual liabilities and to control the various risks to which the Plan is exposed is to fully hedge (to the extent possible) the interest rate and inflation risk of the residual liabilities.

4. Investment Risk

There are various risks to which the Plan is exposed, and the Trustee considers these as potentially financially material. The principal risk facing the Trustee and Plan members is that Just may default on its obligations under the bulk annuity policies. Before entering into the bulk annuity contracts, the Trustee obtained and carefully considered professional advice regarding the suitability of Just as a provider. In addition, the Trustee is aware of regulatory oversight and intervention, and ultimately that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS") and the Pension Protection Fund ("PPF").

For the Plan's residual assets, the Trustee's policy on risk management is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's residual assets and its residual liabilities. The following risks are taken into account by the Trustee:
 - *Interest rate risk* exists if the projected cash flows of the assets held have different sensitivities to interest rate movements from those of the projected liabilities.
 - *Inflation risk* exists if the projected cash flows from the assets have different sensitivities to inflation from the projected liabilities.
- The documents governing the appointment of an investment manager include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan.
- Arrangements are in place to monitor the Plan's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee meets with the Plan's investment manager as required and receives regular reports from the Investment Consultant.

- The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles. Selection of appropriate custodial arrangements is delegated to the Plan's investment managers.
- Should there be a material change in the Plan's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered and, in particular, whether the current risk profile remains appropriate.

Risks arising from Environmental, Social and Governance ("ESG") factors, including climate change and stewardship may have an impact on the investment returns of the Plan's assets. The Trustee believes these risks present threats but also opportunities. The policy of the Trustee on Responsible Investment is set out in Section 11.

The Trustee recognises the risks that may arise from the lack of diversification of investments, in particular, that the decision to invest in bulk annuity contracts with a single provider, whilst reducing operational risks and complexity, represents a concentration risk. However, after careful scrutiny of the provider prior to transacting, the Trustee is satisfied that the degree of risk taken is acceptable. In addition, Just invest a diverse portfolio of assets to mitigate this risk.

In respect of the residual assets, subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an appropriately diversified portfolio. Due to the size of the Plan's residual assets and recognising the need to diversify, all investment exposure is obtained via pooled fund vehicles.

The Trustee believes the appropriate time horizon for which to assess these considerations will be dependent on the liability profile of the Plan, including the average duration which is considered in the context of the anticipated lifetime of the Plan.

5. Portfolio Construction

The Trustee has adopted the following control framework in structuring the Plan's investments subject to the overriding constraint that at the total Plan level the expected level of return and risk is consistent with the investment objective as detailed in Section 3:

- Passive management is the Trustee's preferred approach for investment of the residual assets for the following reasons:
 - To reduce risk.
 - To invest in markets deemed efficient, where the scope for active management to add value is limited.

No investment will be made by an appointed investment manager in the securities issued by the relevant manager's company or any affiliated companies (other than any such securities held within a pooled fund in which the Trustee invests).

6. Investment Policy

The Plan's assets are structured into two broad categories: (1) bulk annuity policies ("buy-ins") taken out in 2015 and 2024 with Just to cover most of the Plan's liabilities, and (2) invested residual assets with a clear investment strategy and funding policy to back the Plan's residual liabilities. The details below cover the invested residual assets.

Analysis of the ongoing suitability of the investment strategy relative to the liabilities is carried out periodically to ensure an appropriate investment strategy remains in place.

Following consultation with the Principal Employer and taking into consideration the Plan's liability profile, the funding position, the covenant of the Employer, and the Trustee's risk/return objectives, the Trustee has adopted the following target strategy for the invested (non-bulk annuity) assets:

Asset Class	Target Asset Allocation (%)
Growth assets	0.0
Matching Assets	100.0
Liability Hedging Assets*	100.0
Total	100.0

*The liability hedging assets will be invested in a combination of fixed and index-linked gilt index funds and a liquidity fund, in order to target a c. 100% hedge of the interest rate and inflation risk associated with the Plan's residual liabilities.

7. Day to Day Management of the Assets

7.1 Investment Structure

The Plan's invested assets are managed by Legal and General Investment Management ("LGIM") and are all passively managed.

The Agreement with LGIM is in the form of an insurance policy with Legal & General Assurance (Pensions Management) Limited.

LGIM are regulated by the Prudential Regulation Authority ("PRA") and / or the Financial Conduct Authority (the "FCA") and have full discretion to buy and sell investments on behalf of the Plan, subject to the constraints of their mandate. As required by the Pensions Act 1995, the Trustee has entered into signed Agreements with LGIM, the terms of which are consistent with the principles contained in this Statement.

The Agreements provide important protection for the Plan itself and for the Trustee. They set out the terms on which the mandates are managed.

Further details about LGIM's mandate is shown below.

7.2 Liability Hedging Assets

The Liability Hedging Assets are formed of a range of underlying fixed and index-linked gilt index funds and holdings in a liquidity fund, and constitutes 100% of the target residual asset portfolio.

The current objective for the Liability Hedging Assets portfolio is to broadly target a hedge ratio of 100% of interest rate and inflation sensitivity of the residual liabilities. This is expected to move due to changes in market conditions over time and the Trustee will look to review this position periodically.

7.3 Fees

Investment manager fees paid are based on the market value of assets under management. The following fee arrangements are in place:

Fund	Charging Structure
LGIM Single Stock Gilt Funds and Gilt Index Funds	0.100% p.a. on the first £5m, 0.075% p.a. on the next £5m, 0.050% p.a. on the next £20m and 0.030% p.a. thereafter.
LGIM Sterling Liquidity Fund	0.125% p.a. on the first £5m, 0.075% p.a. on the next £5m, 0.075% p.a. on the next £20m and 0.05% p.a. thereafter.

An annual scheme charge of £1.5k p.a. applies where the LGIM assets under management are below £10m. This is in addition to management charges for the fund/s they invest in as set out in the table above.

8. Rebalancing and Cashflow Management

For the purposes of cashflow management, any required disinvestments of cash will be taken from LGIM Sterling Liquidity Fund where possible. Where this is not possible, due consideration will be given to the target hedge ratio of the Plan prior to any disinvestment being made.

9. Additional Voluntary Contributions (AVC)

Members are able to invest new AVCs in a range of investment options provided by Standard Life. In addition to this there are a small number of funds held with Utmost, which the Trustee is attempting to resolve.

With the assistance of Mercer, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustee and needs of the members.

10. Fee Structures

As set out above, the Plan pays investment management fees to LGIM amounting to a percentage of the assets under management.

The Plan also pays consultancy fees to Mercer for the provision of a range of actuarial and investment advisory services, and to Trafalgar House for administration services.

11. Social, Environmental and Ethically Responsible Investment & Corporate Governance

The Trustee believes that environmental, social, and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee recognises that financially material ESG issues, including climate change, could impact the financial interests of the Plan’s beneficiaries. Accordingly, the Trustee will consider how ESG matters are integrated within investment processes when appointing new fund managers and monitoring the existing fund manager.

The Trustee believes that good stewardship can preserve value for companies and markets as a whole.

Having considered its fiduciary duty, the Trustee has delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments to the appointed investment manager (LGIM), and bulk annuity provider (Just), in accordance with their own corporate governance policies.

The Trustee monitors how ESG, climate change and stewardship is integrated within investment processes. These issues are monitored by the Trustee who considers the investment consultant's assessment of how LGIM embed ESG into their investment processes, and how the manager's responsible investment philosophies align with the Trustee's responsible investment policy. This includes the investment manager's policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. Monitoring is undertaken on a regular basis and is documented at least annually to assess the effectiveness of applied approaches.

The Trustee may elect to review the decisions made by LGIM, including engagement activity, and reserves the right to challenge such decisions to ensure the best performance over the medium- to long-term.

Members' views are not taken into account in the selection, retention and realisation of investments, but members are welcome to make their views known to the Trustee.

The Trustee has not set any investment restrictions on LGIM in relation to particular products or activities but may consider this in future.

12. Investment Manager Appointment, Engagement and Monitoring

The investment manager, LGIM, is appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.

The Trustee looks to its investment consultant for their forward-looking assessment of a manager's ability to perform in line with expectations over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

The Trustee receives investment manager performance reports on a regular basis, which present performance information over short and long-term timeframes. The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period). The Trustee's focus is primarily on long-term performance, but short-term performance is also reviewed.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they may, at their discretion, look to replace the manager.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains

appropriate and consistent with the Trustee's wider investment objectives and may ask the manager to review their fees instead of terminating the mandate.

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

13. Compliance with this Statement

On a regular basis, the Trustee will review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the Principal Employer, which is judged to have a bearing on the stated Investment Policy. Any such review will again be based on expert investment advice and will be in consultation with the Principal Employer.

The Trustee will, at a minimum, review this Statement triennially to ensure that it remains accurate. The Statement will be amended more frequently should any changes be made to the Plan's investment arrangements. The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

V. Gibbard

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Trustee

Trustee

7th January 2025

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Date

Date

For and on behalf of the Trustee of the GCP UK Pension Plan