

Edmundson Electrical Limited Pension Scheme

Investment Policy Implementation Document – November 2024 (replaces March 2023)

1. Introduction

The Statement of Investment Principles (“SIP”) of the Edmundson Electrical Limited Pension Scheme (the “Scheme”), dated November 2024 sets out the guiding principles upon which the Scheme’s investment decisions are based. The purpose of this Investment Policy Implementation Document is to provide details of the specific investments in place alongside other information relevant to the management of the investments.

Investment policy can be considered in two parts; (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Trustee Directors (the “Trustees”) and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

2. Strategic Management

The Trustees have agreed a de-risking strategy under which exposure to growth assets will be reduced to the extent consistent with the Scheme’s investment objectives. This involves the use of funding level de-risking triggers.

In addition, the Trustees have agreed to set target hedge ratios (the degree to which the asset value moves in line with changes in the liability value) at a level designed to ensure an efficient management of interest rate and inflation risk, with the level of hedging dependent on the level of growth assets.

The table below sets out the current target position and next step strategies. The Trustees retain ultimate control over whether to proceed with any de-risking step and may agree target hedge ratios that vary modestly from those set out below (for example where actual hedge ratios have risen above target due to changes in liabilities).

| | Growth assets (%) | Risk reduction assets (%) | Target interest rate / inflation hedge (%)** | Funding Level (%) |
|------------|--------------------------|----------------------------------|---|--------------------------|
| Current | 5 | 95 | 95 | -- |
| Final Band | -- | 100 | Minimum 95 | 105*** |

* Includes an allocation to corporate bonds with the balance held in gilts and/or comparable low risk investments

** Measured on a gilt flat basis.

*** The Trustees’ intention is to move to the final band once the Scheme is well-funded vs potential buy-in prices, with an allowance for funding variation by the time a trigger is implemented. The precise trigger may be reviewed over time.

Actual hedge ratios may vary from target due to market/liability movements and will be reviewed periodically.

3. Day-to-Day Management of the Assets

The Scheme’s assets are split between those relating to the main Scheme and those relating to Additional Voluntary Contributions (“AVCs”).

The Trustees have agreed to delegate the day-to-day management of the main Scheme’s assets to five investment managers:

- Royal London Asset Management (“RLAM”) – Buy and Maintain Credit
- Insight Investment Management (“Insight”) – LDI and Cash
- Ruffer LLP (“Ruffer”) – Absolute Return
- HarbourVest Partners LLC (“HarbourVest”) – Private Equity
- Patria Capital Partners LLP (“Patria”) – Private Equity (formerly called Standard Life Capital Partners LLP)

At the time of writing this Document, investments in Private Equity managers are in the process of run-off and are expected to be formally liquidated in the following two to three years. These investments represent less than 0.1% of the portfolio.

Investment is via the managers’ pooled funds (including bespoke pooled funds) and is subject to agreements between the managers and the Trustees as well as the governing documents for each fund.

The Trustees have adopted the following target allocation for investment of the Scheme’s assets (at current growth asset levels).

| Asset Class | Manager | Current % |
|-------------------------|---------|--------------|
| Growth Assets | | 5.0 |
| Equity Absolute Return | Ruffer | 5.0 |
| Matching Assets | | 95.0 |
| Buy and Maintain Credit | RLAM | 30.0 |
| LDI* | Insight | 65.0 |
| Total** | | 100.0 |

* Insight portfolio can include physical gilts, derivatives and cash.

** Target allocation excludes the Private Equity managers which are in the process of run-off.

The Trustees will monitor the actual allocation to asset classes/managers on a regular basis and will consider what action to take should the actual allocation deviate significantly from the structure set out above. Individual mandates are detailed below.

RLAM

RLAM manage a “buy & maintain” fund. They do not manage the fund against a formal market benchmark. The stated aim of the fund is “To provide excess income (relative to equivalent UK Government Bonds) over the life of the Fund” with a spread objective at outset being a yield that is 1.25% in excess of gilts yields subject to market conditions. The Trustees monitor performance against a comparable “market” benchmark such as the Markit iBoxx Sterling Non-Gilts Index and anticipate a return in excess of this over the medium term. The fund is subject to investment guidelines agreed by the Trustees.

Insight

Insight manage a portion of the Scheme’s assets in their pooled LDI and cash vehicles. The allocations to these vehicles are determined by Insight in line with guidelines agreed by the Trustees which reference the Scheme’s liability profile. Allocations over time are allowed to drift in line with relative market movements but will be reviewed by Insight under certain circumstances, for example a recapitalisation or releveraging event. Outside these circumstances, Insight do not provide any ongoing monitoring of the Scheme’s hedge ratios. The objectives for each Fund are set out in the table below.

| Fund | Objective |
|--|---|
| Enhanced selection longer nominal | to match the change in value of a reference portfolio of (longer duration) liabilities with respect to changes in interest rates |
| Enhanced selection longer/shorter real | to match the change in value of a reference portfolio of (longer/shorter duration) liabilities with respect to changes in interest rates and inflation expectations |
| Liquidity fund plus | to provide stability of capital and income through investment in short term fixed income and variable rate securities. |

Within each of the Enhanced Selection Funds Insight retain discretion over the underlying instrument to use to achieve the desired hedging characteristics of the fund e.g. gilt or swap based derivatives. As such the Trustees will monitor Insight's performance against both a gilt and swap based benchmark.

The Enhanced Selection funds employ leverage (gearing) to achieve the desired level of interest rate/inflation exposures. The governing documents for the funds describe limits for leverage levels within the funds and Insight have a policy for action should leverage levels fall outside of certain bands. On a net basis leverage levels are expected to be between two and four times at the individual fund level under normal market conditions. Aggregate leverage for the portfolio will depend upon the allocations to the specific funds and their leverage levels, and to cash. The Trustees monitor actual leverage and collateral levels via the regular reporting they receive. Individual leveraged LDI funds maintain sufficient collateral to withstand short term yield movements of 3% ("market buffer") and the Trustee aim to hold sufficient cash with Insight alongside these funds to support the capital calls that would arise following cumulative cash calls of 3% or more ("operational buffer") consistent with regulatory requirements.

Ruffer

Ruffer manage a pooled portfolio of assets on a long only absolute return basis. Depending on market conditions the portfolio will contain a mix of equities and bonds with an allocation to other risk investments.

The Trustees monitor the performance of the portfolio against the following benchmarks:

| Benchmark | Target |
|------------------------|---|
| Primary: SONIA | + 4.0% p.a. net of fees over rolling 5 year periods |
| Secondary: MSCI Europe | Outperformance over the longer term net of fees |

Private Equity

The Scheme has private equity investment in the following vehicles:

| Manager | Vehicle | Type |
|----------------|----------------|------------------------|
| HarbourVest | HIPEP V | Fund of Funds (US) |
| Patria | ESP 2006 | Fund of Funds (Europe) |
| Patria | ESP 2008 | Fund of Funds (Europe) |

Other Assets

The Trustees hold money arising from Additional Voluntary Contributions. The Scheme currently has three AVC providers, ReAssure Limited, Utmost Life & Pension Limited and Prudential.

4. **Contribution/Disinvestment Policy**

The Scheme is cashflow negative. Disinvestments should be made broadly consistent with the overall strategy and after taking into account income available from the Scheme's investments. Subject to this the Default policy is for cashflows to be invested in/disinvested from the Insight Liquidity Plus Fund.

5. **Advisors**

Custodian

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. Where assets are held in pooled arrangements it is the responsibility of the pooled fund manager to appoint a custodian.

Scheme Actuary

The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The latest actuarial valuation was performed as at 31 March 2022 by the Scheme Actuary. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree the employer's contribution rate.

Heather Winrow of Mercer is the appointed Scheme Actuary.

Investment Adviser

Whilst the day-to-day management of the Scheme's assets is delegated to investment managers, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers is taken by the Trustees after taking advice from the Investment Consultant. Mercer has been appointed for this purpose.

Performance Measurement

Individual fund managers provide information on the performance of the pooled funds or segregated assets in which the Scheme invests. The Trustees also regularly receive a consolidated summary of manager/scheme investment performance from Mercer.

6. **Fee Structures**

The investment managers levy fees based on a percentage of the value of the assets under management, with the exception of Insight, where the investment manager levies fees based on a percentage of exposure. HarbourVest and Patria also levy fees based on the performance of their particular strategy. Details of the fees are set out in the appointment documentation from each manager.

The Scheme Actuary and the investment consultant work on a combination of fixed fee and time cost basis.

..... ROGER GODDARD
Name

..... ROGER GODDARD
Signature

For and on behalf of the Trustee of the Edmundson Electrical Limited Pension Scheme