

Otra UK (1995) Group Pension Scheme (“the Scheme”)

Annual Implementation Statement – March 2025

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 31 March 2025. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator. In doing so we note that the Scheme’s investment arrangements are relatively straightforward and that there were no major changes over the year. Hence we have focused on key aspects of the Scheme’s arrangements and Trustee activities and how this has been compliant with the SIP.

2. Investment objectives of the Scheme

The Trustees’ objective is to secure all benefits through transferring responsibility for meeting all the Scheme’s pension obligations to a regulated insurance company. To this end the Trustees have purchased a bulk annuity policy with Legal & General Assurance Society (“LGAS”) with the intention of converting this to a “buy-out” and subsequently winding up the Scheme.

3. Review of the SIP

The Trustees last updated the the SIP in early 2022 (SIP dated December 2021) to reflect the decision to invest in a bulk annuity with LGAS, and to invest a portion of the balance in pooled gilt funds. There have been no strategy changes since the last review, and the Trustees are comfortable that the SIP remains appropriate for Scheme.

4. Assessment of how the policies in the SIP have been followed for the year to 31 March 2025

The latest version of the SIP, dated December 2021, is attached as an Appendix. The Trustees confirm that all policies in the SIP were followed in the year to 31 March 2025.

Following the transfer of the majority of assets to LGAS, the Trustees have, since October 2021, implicitly delegated consideration of ESG issues, engagement and stewardship obligations to LGAS. Given the nature of the contract, the Trustees have minimal direct exposure to sustainability issues but are satisfied that LGAS apply due consideration to ESG issues in the investment of assets underlying the contract.

A small residual portion of assets is held in a combination of Legal & General Investment Management’s (“LGIM”) Sterling Liquidity Fund, and pooled LGIM fixed and index-linked pooled gilt funds. Given the small amount of assets held by LGIM and limited transition activity, the Trustees have not sought detailed turnover costs from the investment managers for the year under review. LGIM’s ESG policies continued to be monitored by the Scheme’s investment adviser.

The Trustees do not take into account non-financially material considerations.

Voting rights

The Trustees invest via an insurance contract and a small portion of asset in pooled liquidity and gilts funds. As such they do not have direct voting rights. In addition, the appointed manager did not have any significant voting rights in relation to the assets they hold, given the nature of the assets. It is possible (but unlikely) that the appointed insurer LGAS will hold equity but given the nature of the contract the Trustees will not monitor this.

Appendix

Otra UK (1995) Group Pension Scheme

Statement of Investment Principles – December 2021 (replaces October 2021)

1. Introduction

The Trustees of the Otra UK (1995) Group Pension Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation and regulation. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. Due to the move to a more simplified arrangement, a separate document detailing the specifics of the Scheme's investment arrangements is no longer produced, and relevant details are instead contained in this Statement.

In preparing this Statement the Trustees have consulted Edmundson Electrical Limited as Scheme Sponsor.

2. Process for Choosing Investments

The Trustees have considered their objectives for investing the Scheme assets. They have considered their Investment and Funding objectives together to ensure that the two are compatible. They have then constructed a portfolio of investments consistent with these objectives.

In doing so the Trustees take into account what they believe to be financially material considerations, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where there are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme over the Trustees' investment time horizon. Specific considerations are detailed throughout this Statement.

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

3. Investment Objectives

The investment objectives set out here are those that the Trustees determine to be financially material considerations in relation to the Scheme.

The Trustees' objective is to secure all benefits through transferring responsibility for meeting all the Scheme's pension obligations to a regulated insurance company. To this end the Trustees have purchased a bulk annuity policy with Legal & General Assurance Society ("LGAS") with the intention of converting this to a "buy-out" and subsequently winding up the Scheme.

Prior to wind-up additional payments or expenses will be met from cash balances and/or payments from the Sponsor. This includes a final payment to LGAS in addition to the Initial Premium that has been paid.

Given the Trustees' objectives, while members will continue to receive payments in the long term (from LGAS, once buy-out has been achieved), the Trustees' investment horizon is short.

4. Risk Management and Measurement and Financially Material Considerations

There are various risks to which any pension Scheme is exposed which are considered to be financially material to the Scheme over its anticipated lifetime. The Trustees' policy on risk management and measurement is as follows:

- The primary investment risk arises from a mismatch between the Scheme's assets and liabilities. This is minimised by matching almost 100% of the liabilities with annuities held with a regulated insurance company.
- The Sponsor may be unable or unwilling to finance a shortfall between assets and liabilities. This risk is also minimised by holding an annuity to meet all benefits, combined with a cash holding expected to be sufficient to meet outstanding commitments and expenses. Where a balancing payment is due to be made in respect of any annuity, the risk of variation in the amount of the balancing payment is mitigated through holding gilts of similar value to the balancing payment and which are expected to move broadly in line with changes in the balancing payment.
- The annuities represent a concentration of risk that the provider does not make the required payments. As the policies are governed by insurance market solvency regulations, the Trustees believe this risk is low and have mitigated it by careful choice of provider and contract terms.
- Although bulk annuities are illiquid investments and cannot be traded on regulated markets, the Trustees are satisfied this is appropriate given the security they provide by paying members' benefits as they fall due.
- Considerations specific to Environment, Social and Governance ("ESG") issues are addressed in Section 8.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate. Given the arrangements that are in place the likelihood of material change is considered very low.

5. Portfolio Construction & Day to Day Management of the Assets

After a careful suitability review, the Trustees have invested the majority of Scheme assets in a bulk annuity with LGAS. LGAS is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Trustees have taken steps to satisfy themselves that LGAS has the appropriate knowledge and experience.

Remaining assets are held (i) in pooled gilt funds (fixed and index-linked) in relation to an anticipated balancing payment to LGAS and (ii) in a pooled cash fund (the Sterling Liquidity Fund) in relation to the balance, each managed by Legal & General Investment Management ("LGIM")

6. Expected Return

An expected return on the bulk annuity has not been determined but is implicit in the price of the contract.

Pooled gilt funds are expected to generate a return in line with the relevant gilts. The LGIM Sterling Liquidity Cash fund is expected to generate a return in line with or above its benchmark which is 7 Day LIBID.

7. Additional Assets

Some members of the Scheme hold AVCs, which are invested in a range of unit-linked funds offered by Reassure and can be used to increase pension benefits at retirement, or in the event of death. The Trustees established the arrangements under which these contributions are invested, taking advice from Mercer. Members are able to choose how to invest across the available funds.

In addition, the funds applicable to DC members are invested by the Trustees in line with the invested assets of the Scheme (excluding the bulk annuity and those assets held in expectation of being transferred to LGAS as a balancing payment).

8. Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with the overall principles set out in this Statement.

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under the annuity contract. These payments are available to meet the Scheme's cash outflows.

Any additional cash flow requirements, such as expenses, are expected to be met from residual cash or - if there is a shortfall - additional payments from the Sponsor.

9. ESG, Stewardship (including Engagement Activities) and Climate Change

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a financially material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to LGAS in relation to the majority of Scheme assets via a bulk annuity contract, and to LGIM in relation to remaining invested assets. The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are however satisfied that

LGAS apply due consideration to ESG issues in the investment of assets underlying the contract.

10. Non-Financial Matters

Non-financial matters (as defined in the relevant regulations) are not taken into account when determining investment policy. Member views are not actively sought.

11. Investment Management Arrangements

Alignment of Insurer Objectives and Incentivisation:

LGAS have been appointed with the aim of insuring the Scheme's liabilities and reducing the Scheme's funding volatility. The Trustees seek expert advice in relation to this appointment. This includes an assessment of LGAS's capabilities, knowledge and experience. The annuity policy is managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policies are aligned with the Trustees' objectives and the terms of the policy incentivises LGAS to meet the Trustees' objectives. The Trustees understand that they have no ability to determine or influence the assets in which LGAS invests. The Trustees recognise that the annuity investment is illiquid and cannot be traded.

LGIM's Sterling Liquidity Fund is invested with the aim of achieving a cash return while minimising risk. Pooled Gilt funds are held in specified gilts. This is aligned with the Trustees' objectives. The Trustees can terminate LGIM's appointment with minimal notice if they become concerned over LGIM's ability to deliver against these objectives.

Performance Assessment & Fees

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustees' choice of insurer taking the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remunerating the insurer.

LGIM receive income on Sterling Liquidity Fund and Gilt pooled funds units as a percentage of the amount invested. Performance is assessed against a representative Cash index and against the relevant gilt returns respectively.

Portfolio Turnover Costs

The obligation of the insurer to make payments is not impacted by on-going turnover costs and is not considered by the Trustees.

Cash fund and Gilt funds holdings are low and trading costs are minimal. As such the Trustees do not intend to monitor turnover costs explicitly in relation to these holdings.

12. Other appointments

Actuary

Anna Batterley is the Scheme's appointed Actuary.

Investment Adviser

Mercer has been appointed to provide advice to the Trustees on investment related matters.

Scheme Actuary and Investment Advisor fees are charged through a combination of fixed fee and budgeted time cost.

Custodian

The assets are held in a bulk annuity insurance policy or in pooled funds. Custodianship of underlying assets is the responsibility of LGAS and LGIM respectively.

13. Compliance with this Statement

The Trustees will monitor compliance with this Statement annually.

14. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.