

Paterson Enterprises Pension Scheme
Statement of Investment Principles

March 2026

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1. INTRODUCTION

This is the Statement of Investment Principles (the "SIP") adopted by Paterson Enterprises Pension Scheme (the "Scheme") in relation to the investment of the assets of the Scheme. The SIP sets out the basis of the investment strategy and objectives for the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK (the "Myners Principles").

The Trustees are required under Section 35 and Section 36 of the Pensions Act 1995 (the Act), as amended by Section 244 of the Pensions Act 2004, to formulate and disclose a SIP. The Act requires the Trustees to prepare, maintain and from time to time revise a written SIP governing decisions about the Scheme's investments. This edition of the SIP has been prepared in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent additional regulations. It is the Trustees' intention to review this statement within three years and after any significant changes to the investment policies within this statement.

The Trustees are aware of the need to comply with Sections 35 and 36 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (the Regulations). In particular that they:

- have obtained investment advice
- have considered the circumstances which would make it desirable to obtain further investment advice
- are aware of the penalties for failing to comply with the Pensions Act 1995 or Pensions Act 2004

Before preparing this (SIP), the Trustees have received written advice from Charles Stanley (the "Fiduciary Manager") which is authorised and regulated by the Financial Conduct Authority. However, the ultimate responsibility for deciding on the investment strategy lies with the Trustees.

2. THE EMPLOYER

Before determining the Scheme's investment strategy, and drafting this statement, the Trustees have consulted with Paterson Enterprises Limited (the "Employer"). The Employer will be consulted if the SIP is revised.

3. INVESTMENT OBJECTIVES

The overall investment objective for the Scheme is to ensure that sufficient assets are available to meet liabilities of the Scheme as they fall due in a risk-controlled approach.

The Trustees have agreed a detailed long-term de-risking investment plan, known as a Flight-Plan, with their Fiduciary Manager. The full details of this plan are documented in the Scheme's Flight-Plan Outline dated February 2024. The Flight-Plan is designed to move the Scheme towards its objective of being 100% funded on a long-term basis using a discount rate of gilts + 0.5% p.a.

The anticipated exposure to Growth and Matching assets at different Stages of the Flight-Plan is documented and subject to ongoing review by the Trustees and the Fiduciary Manager.

The Trustees have given the Fiduciary Manager discretion to manage the growth and matching assets of the total portfolio, and the balance between these assets, according to the Flight-Plan Schedule.

Growth assets are defined as equities, property, alternatives and bonds (other than bonds used for 'matching assets').

The Fiduciary Manager will manage the growth assets using long-term strategic and shorter-term tactical asset allocation, and implement these allocations using investment managers (both passively and actively managed) or investing directly. The selection of managers and funds is delegated to the Fiduciary Manager.

Matching assets are defined as Liability-Driven Investment (LDI) funds, Cash flow Driven Investment (CDI) funds and cash.

The Fiduciary Manager will keep the Trustees up to date with the portfolio asset allocation, making available a 'look-through' analysis detailing overall exposures by geographic region and asset type.

4. **RISK MANAGEMENT**

The Trustees are aware that there are various risks relating to the Scheme's assets. Some of the key risks are as follows:

- a) The risk that the expected rate of investment return is not achieved. The Trustees will monitor the performance of the Fiduciary Manager regularly to minimise this risk.
- c) The risks posed by a lack of diversification of investments. The Fiduciary Manager will address this by investing in a range of asset classes and underlying investment managers where appropriate.
- d) The risks derived from holding assets that perform differently to the liabilities for which they are held. The Trustees will receive regular funding updates to ensure that this risk is mitigated.
- e) The currency risks derived from exposure to overseas assets. The Fiduciary Manager will manage this and employ currency hedging where appropriate.
- f) The risk that sufficient cash isn't available to meet immediate liabilities. The Trustees will monitor upcoming benefit payments and inform the Fiduciary Manager accordingly.

The Trustees, in conjunction with the Fiduciary Manger, will keep these risks under regular review.

5. **TYPES OF INVESTMENT TO BE HELD**

The Fiduciary Manager may hold the following types of investment from time to time:

- UK Equities
- Overseas Equities
- UK Fixed Interest Bonds
- Overseas Fixed Interest Bonds
- UK Index-Linked Investment
- Overseas Index-Linked Investments
- Property Funds

- Investment Trusts
- Structured Products*
- Fund of Hedge Funds*
- Derivatives*
- Cash Instrument
- Exchange Traded Funds
- Index Tracking Funds
- Commodities
- Liability-Driven Investment Funds
- Infrastructure Funds
- Other Alternative Investment Funds

**It is not the Trustees current intention to hold these funds directly, however they may be held in the future by a fund manager as part of a diversified pooled portfolio.*

6. DIVERSIFICATION OF ASSET CLASSES

This may be considered in terms of ensuring that investments are spread through a number of asset classes and managers whose movements are not closely correlated. The Trustees are satisfied in this matter.

7. EXPECTED RETURN ON INVESTMENTS

The portfolio is expected to produce a return over the longer term, at least equal to the investment return assumed in the valuation of liabilities. Further details of the 'best estimate' expected returns at each stage in the de-risking plan are contained in the Flight-Plan Outline document.

8. THE REALISATION OF INVESTMENTS

The Fiduciary Manager is required to maintain portfolios that consist of assets that are readily realisable to ensure assets are available to settle member's benefits. The Scheme is invested predominately in funds which can be dealt on a daily or weekly basis.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY – INCLUDING CLIMATE CHANGE

The Trustees believe that environmental, social and governance (ESG) factors (including climate change) can have a financially material impact on the Scheme's investments and, as such, must be considered by the Fiduciary Manager.

Specific decisions regarding the financial materiality of ESG and climate change factors are delegated to the Fiduciary Manager. They are expected to consider the impact of ESG factors including climate change on the potential performance of the Scheme's investments, particularly over the medium and long term, also taking into account the long-term nature of the Scheme's liabilities.

The Trustees require that the Fiduciary Manager should provide a regular report outlining the extent to which the Scheme's investments are exposed to significant ESG factors, including climate change.

10. **STEWARDSHIP POLICY – INCLUDING ENGAGEMENT, VOTING AND EXERCISE OF RIGHTS**

The Trustees believe that, where appropriate, the voting rights pertaining to the Scheme's investments should be deployed to seek to improve the medium and long-term performance of companies, in particular where the Scheme is a debt or equity shareholder.

The Trustees acknowledge that stewardship can also include direct engagement with an investee or debtor company, indirect engagement via an investment manager, 'peer-to-peer' engagement with fellow shareholders of an investee company, and any engagement with other stakeholders, on any relevant matters such as matters concerning the investee or debtor entity, including performance, strategy, risks, social and environmental impact, corporate governance, capital structure and management of actual or potential conflicts of interest.

The Trustees understand that the majority of investments will be deployed via pooled funds and therefore acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest.

Where voting rights are held indirectly, the Trustees expect the Fiduciary Manager to be mindful of the engagement and voting policy of underlying pooled fund managers when selecting them and to report these policies to the Trustees upon request.

Where voting rights are held directly, the Trustees delegate the exercise of voting right to the Fiduciary Manager and expect a report on any voting or engagement activity to be provided at least annually or upon request.

11. **POLICIES IN RELATION TO THE TRUSTEES' ARRANGEMENT WITH THEIR FIDUCIARY MANAGER**

The Fiduciary Manager is expected to ensure the investment strategy is in line with the Trustees' policies, including assessing the potential medium and long-term financial and non-financial factors impacting performance of investments. No explicit financial incentives are in place, however performance against a wide range of agreed objectives is monitored with the ability of the Trustees to replace the Fiduciary Manager at any time should the Trustees become materially unsatisfied with the service received.


These objectives are set out in a separate Investment Objectives Scorecard and are reviewed every three years. The Trustees will review the Fiduciary Manager against this wide-ranging set of agreed objectives every year.

Underlying management costs are monitored regularly. The Fiduciary Manager can also be required to declare any other portfolio turnover levels and costs ('implicit costs') at any time. No ranges are provided to the Fiduciary Manager for these implicit costs. Explicit fees and costs are expected to be detailed by the Fiduciary Manager in regular statements.

The appointment of the Fiduciary Manager is on an ongoing basis and would be expected to be reviewed every three years.

Signed on behalf of the Trustees of the Paterson Enterprises Pension Scheme

Signed:.......... Date:.....18/3/26.....

Signed:.......... Date:.....18.03.26.....

