Mouchel Staff Pension Scheme

Statement of Investment Principles

August 2026

Introduction

This Statement of Investment Principles (the "SIP") is required under Section 35 of the Pensions Act 1995 (as amended) for the Mouchel Staff Pension Scheme ('the Scheme"). It describes the investment policy being pursued by Kier Group Pension Trustees Limited (the "Trustee") and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles') and TPR's Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme has been closed to future benefit accrual since 1 January 2011.

The Scheme Actuary is John Sydenham of Aon Hewitt, the outsourced chief investment officer (OCIO) is Schroders Investment Management Limited, and the Legal Adviser is Hogan Lovells (collectively termed 'the Advisers').

The Trustee confirms that, before preparing this SIP, they have consulted with Kier Limited ('the Sponsoring Employer') and the Scheme Actuary and has obtained and considered written advice from the Investment Adviser.

The Trustee is responsible for the investment of the Scheme's assets and where the Trustee is required to make an investment decision, the Trustee always receives advice from the relevant Advisers first. It believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy, but has delegated day-to-day investment of the Scheme's assets to be undertaken through the Outsourced Chief Investment Officer service of Schroders Investment Management Limited (the 'OCIO').

Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Advisers as appropriate.

The Trustee has appointed an Investment Committee (the "IC") to deal with investment matters delegated to it by the Trustee Board, in particular those which require timely resolution, and acts as a co-ordinator between

the Advisers, the OCIO and the Trustee Board. The Trustee has also implemented a sub-group to oversee climate risk and has recorded climate risk within the risk register. The risk register will be reviewed annually and the Trustee will schedule an annual climate-focused session with all the advisers in order to assess climate-related risks and opportunities pertinent to the Scheme.

The IC also makes proposals to the Trustee Board for ratification on investment decisions including the asset allocation within the strategic banding. However, overall investment strategy remains the sole responsibility of the Trustee Board.

The responsibilities of each of the parties involved in the Scheme's governance are detailed in the Statement of Investment Implementation (the "SII").

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the OCIO or the Advisers as part of such a review.

Suitability

The Trustee has defined the investment objective and investment strategy with due regard to the Scheme's liabilities.

The Trustee has taken advice from the Advisers to ensure that the strategy, and the assets held by the Scheme through that strategy, are suitable given its liability profile, the Trustee's objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Scheme (the Trust Deed).

Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the OCIO and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

Investment Objectives

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustee has set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in this Statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Scheme provides as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to any statutory funding requirement.

3. To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

The Trustee invest in a blend of growth assets, a portfolio of equity derivatives, a portfolio of income paying credit assets and a liability hedge. The liability hedge aims to mitigate the change in the liabilities. The Trustee decides the blend of these assets to target the appropriate return for the Scheme, this is shown in the OCIO agreement and the Quarterly Monitoring Report.

Implementation of investment strategy

The Trustee has delegated the investment of the Scheme assets to the OCIO, which has discretion to invest the Scheme assets in underlying securities and funds, either directly or indirectly through the use of investment managers of underlying funds (the 'Underlying Managers') to run the portfolio on a day-to-day basis. The Trustee has acknowledged and considered with sufficient diligence the potential conflict that may arise from the OCIO and the Investment Adviser being the same organisation.

Monitoring

The Trustee will monitor the performance of the OCIO against the agreed performance objectives.

The Trustee, or any other suitably qualified Adviser on behalf of the Trustee, will regularly review the activities of the OCIO to satisfy themselves that the OCIO continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee considers whether or not the OCIO:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the OCIO it will ask the OCIO to take steps to rectify the situation. If the OCIO still does not meet the Trustee's requirements, the Trustee will remove the OCIO and appoint another.

Corporate Governance and Stewardship

The Trustee and the OCIO have agreed an investment management agreement setting out the scope of the OCIO's activities, charging basis and other relevant matters. The OCIO has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the OCIO to implement the Scheme's investment strategy. The OCIO manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers. The OCIO is appointed to carry out its role on an ongoing basis. The

Trustee periodically reviews the overall value-for-money of using the OCIO (as specified in the Scheme's OCIO objectives). The Trustee is satisfied that these arrangements incentivise the OCIO:

- to align its investment strategy and decisions with the Trustee's investment policies, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this performance.

The Scheme's investments are generally made via pooled investment funds. As such, direct control of the process of engaging with the companies that issue these securities is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the OCIO. The Trustee does not have its own voting and engagement policy, but it has responsibility for the voting and engagement policies that the OCIO implements on its behalf.

The Trustee undertakes the engagement directly with its OCIO who appoint Underlying Managers to carry out engagement with investee companies directly. The OCIO set out its voting and engagement priorities which focus on six themes including climate, Natural Capital and Biodiversity, Human Rights, Human Capital Management, Diversity and Inclusion and Corporate Governance. The Trustee has carried out an exercise to identify those ESG priorities it thinks are important and, based on the close degree of similarity between the two, has agreed to align its engagement priorities with those of the OCIO with a particular focus on the following:

- **Climate**: Engaging with companies to ensure the economy is transformed to avoid the most catastrophic effects of climate change on people and the planet, and adapt to future temperature rises.
- **Human Rights**: Protecting human rights and reducing the negative impacts companies have on workers, communities and consumers (e.g. child labour, ethical supply chains, indigenous rights, basic access to products and services, modern slavery).
- **Natural Capital and Biodiversity**: reducing the impact of these nature-related risks which include, but are not limited to, lack of biodiversity, deforestation, pollution and water stress.

The Trustee believe those engagement priorities which have been chosen by the OCIO will result in better management of financially-material ESG and climate risks, therefore it is expected to improve the financial outcome of the Scheme which ultimately is in the members and beneficiaries' best interest. The Trustee has also agreed to link the 'most significant' votes of Underlying Managers to its ESG priorities for engagement, monitoring and reporting purposes.

The Trustee considers voting as one of the key ways in which it can provide positive influence, as such the Trustee reviews the voting and engagement activity of the OCIO at least once a year including a review of the annual fiduciary management ESG report.

Arrangements with Underlying Managers

The OCIO regularly reviews the Underlying Managers on behalf of the Trustee. These reviews include benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding the key drivers of performance), investment due diligence meetings and operational due diligence reviews. The OCIO reviews the governance structures of

Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the OCIO assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the OCIO.

The Trustee acknowledges the potential for conflicts of interest as part of ongoing investment management business activities. As an FCA regulated firm, the OCIO is required to prevent or manage conflicts of interest. An overview of the OCIO's Conflict of Interest policy is available publicly here:

https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/

Where Underlying Managers are also regulated, they may be required to manage conflicts of interest as applicable in their jurisdiction of incorporation or operations. The OCIO monitors these conflicts as part of its regulatory filings (where available) and as part of ongoing review.

The OCIO oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the OCIO's expectations. Where there are material deviations the OCIO engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

Realisation of Investments

The majority of assets can be realised easily if the Trustee so requires. The Trustee has chosen to make no further allocations to illiquid investments (as defined in the Investment Management Agreement).

Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has taken advice on the suitability of the contracts and has delegated responsibility to the OCIO to implement these instruments on its behalf. Derivative instruments are typically used for risk management purposes in the portfolio.

Additional Voluntary Contributions (AVCs)

The Scheme historically provided a facility for members to pay AVCs to enhance their benefits at retirement. The member could elect to invest in AVCs with Clerical Medical or through individual earmarked with-profit policies issued by Utmost Life, but these arrangements are now closed to further contributions.

The Trustee reviews these legacy arrangements periodically having regard to their performance, the objectives and the views of the Advisers.

Financially material investment considerations

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. All references to ESG also include climate change.

The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments. The Trustee is supportive of the Paris Agreement and will aim to achieve a carbon neutral portfolio by 2050 or sooner.

The Trustee policy is to delegate consideration of financially material factors, including ESG to the OCIO who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. As part of their ongoing monitoring, the Trustee reviews some key metrics on a regular basis that are provided by the OCIO covering ESG which enable them to engage with the OCIO and understand the impact of ESG on the portfolio.

ESG factors and stewardship are considered, in the context of long term performance, by the OCIO as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the OCIO monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Risks

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. These risks, and how they are measured and managed, include (but are not limited to):

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
  - the risk of a negative impact on the funding level due to changes in the Scheme Actuary's assumptions used to calculate the liabilities and variation in experience. This is managed by:
  - aiming for a higher overall investment return than implied by the Scheme Actuary's liability discount rate; and monitoring the Scheme's funding level with actuarial assumptions that are more prudent than those used by the Scheme Actuary.
  - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk.
  - This risk is also monitored through regular actuarial and investment reviews.
- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
  - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
  - The use of instruments and strategies designed to control the extent of downside exposure.
  - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
  - Regular monitoring of the managers' performance, processes and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the OCIO.

- **Cashflow risk –** addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.
    - The Trustee has also put in place a dedicated cashflow driven portfolio of investments that is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **Climate Risk** – the risk of adverse performance due to climate change, including destruction of physical assets (physical risks) and the decrease in certain asset values as the economy transitions away from carbon (transition risks). The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments.
- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.
- **Counterparty risk** – the risk of a counterparty to an agreement not carrying out its side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.
- **Country/political risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- **Currency risk –** the risk that fluctuations in the value of overseas currencies affect the total return of the Scheme's investments when compared to Sterling liability payments. The Trustee mitigates this risk by electing to allow the OCIO to use currency hedging.
- **Custody and investment administration risk** – the risk of loss caused by the insolvency, negligence or fraudulent action of the custodian. This risk is addressed through the agreement with the custodian and ongoing monitoring of the custody and investment administration arrangements. Restrictions are applied limiting who can authorise transfer of cash and the account(s) to which transfers can be made.
- **Default risk** – the risk of income from assets not being paid when promised. This is addressed through restrictions for the OCIO and Underlying Managers, e.g. a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.
- **ESG risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by the OCIO's ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics including carbon metrics of the portfolio will be included in the quarterly governance report.
- **Liquidity risk** – the risk that the Scheme is unable to realise sufficient assets to pay cash flow requirements when required. This risk is addressed by the administrators monitoring the level of cash held in order to limit the impact of the cash flow requirements on the investment policy, and taking into account the liquidity of assets and the Scheme's net cash flow requirements when setting the asset allocation strategy. The Trustee has also put in place a dedicated cashflow matching portfolio that is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **Manager Risk** – the risk of adverse investment activity by the Investment Managers. This risk is addressed through the diversification of the assets between Investment Managers, the ongoing monitoring of the Investment Managers and the negotiation of clearly defined investment management agreements

(where relevant), containing a series of restrictions to limit the risks from each individual investment and prevent unsuitable investment activity.

- **Mismanagement risk** – the risk of unsuitable investment activity by the OCIO. This is addressed in the agreement with the OCIO, and in turn by the OCIO with the Underlying Managers, which contain restrictions on the proportion and type of asset classes that the OCIO or Underlying Managers may invest in.
- **Organisational risk –** the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the OCIO and Advisers by the Trustee, and of the Underlying Managers by the OCIO.
- **Realisation of assets –** the majority of assets are held in underlying pooled funds, most of which can be realised easily if the Trustee so requires. The Trustee does not allow the use of stock lending on directly held assets. Some pooled funds in which the Trustee invests may undertake stock lending.
- **Sponsor risk** – the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Sponsoring Employer.

The Trustee will keep these risks and how they are measured and managed under regular review.

Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

The Trustee supported by the Investment Adviser will keep this position under review and monitor industry developments and practice.

Declaration

The Trustee confirms that this Statement of Investment Principles reflects the investment strategy it has implemented for the Scheme. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

James Double

Signed:.....

28 October 2026

Date:.....

For and on behalf of Kier Group Pension Trustees Limited as Trustee of the Mouchel Staff Pension Scheme