Wincanton plc Pension Scheme (Defined Benefit Section)

Statement of Investment Principles

1. Introduction

1.1. The Trustee of the Wincanton plc Pension Scheme ("the Scheme") has produced this Statement of Investment Principles ("the Statement") to comply with the requirements of the 1995 Pensions Act ("the Act") and subsequent regulations.

1.2. In preparing this Statement, the Trustee has consulted with the principal employer to the Scheme (Wincanton plc/ "the principal employer" and nominated representative of the sponsoring employers) and, under the requirements of the Act, has taken and considered appropriate advice from its professional investment adviser, Mercer.

1.3. The Statement covers the Defined Benefit ("DB") section of the Scheme.

1.4. The Statement sets out the general principles underlying the investment policy. Details of how the policy is implemented are set out in a separate "Investment Policy Implementation Document" ("IPID").

2. Overall Policy and Objectives

2.1. The strategic management of the Scheme's assets is the responsibility of the Trustee acting on expert advice. The day to day management of the Scheme's assets is delegated to independent investment managers who execute the investment strategy. The Trustee is responsible for the appointment and performance monitoring of the investment managers.

2.2. The Trustee's primary objective is to invest the Scheme's assets in the best interests of the members and beneficiaries, and specifically to meet members' benefit obligations in full, with as high a level of certainty as possible.

2.3. The Trustee has agreed a long-term objective for the Scheme to have sufficient assets to be able to meet all liabilities with a low probability of requiring additional contributions from the principal employer. This long-term basis utilises the same assumptions as the Technical Provisions but with a discount rate equal to the gilt yield curve plus 0.25% per annum.

2.4. The Trustee strives to take full regard of the principal employer's perspectives on investment issues but where there are differences of view the Trustee acts in what it regards as the best interests of the members and beneficiaries.

2.5. The Trustee expects the Scheme's investment strategy to generate a return of approximately 0.4% per annum above a theoretical portfolio of liability-matching gilts (net of fees), over the long term. This value is based on the Scheme's strategic asset allocation and Mercer's central asset class assumptions (based on geometric expected median returns) as at 30 June 2025. It is recognised that over the short-term, performance may deviate from the long-term target.

2.6. In addition, the Trustee has decided to hedge the interest and inflation rate risks facing the Scheme. The target level of interest rate and inflation hedging is 98% of the Scheme's liabilities on a gilts + 0.25% basis.

2.7. The Trustee's objective is to minimise risk in the context of the covenant and within the constraints of the target investment return and Scheme size.

3. Risk

3.1. In deciding to take investment risk relative to the liabilities (i.e. by targeting a return over and above that of a theoretical portfolio of liability-matching gilts), the Trustee has carefully considered the following possible consequences in the context of the Scheme's anticipated lifetime:

i. The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This could be because the assets fail to deliver the anticipated level of return relative to liabilities, or because the liabilities grow beyond the level expected relative to assets. Failure to achieve the expected excess return would result in the deterioration of the Scheme's financial position and is likely to require the Trustee to continue to place significant reliance on the principal employer's covenant further into the future to ensure that members' benefits can be met in full.

ii. The relative value of the assets and liabilities, and thus the funding level, may be more volatile over the short term than if investment risk had not been taken. This volatility in the relative value of assets and liabilities may also increase the volatility of the principal employer's deficit contributions set at future actuarial valuations.

3.2. More detail on the steps the Trustee has taken to manage and mitigate these risks is set out in later sections.

3.3. The Trustee monitors the funding level of the Scheme on an ongoing basis and will consider the investment strategy and/or objective should there be a significant change in the financial health of the Scheme. The Trustee has also agreed contingent funding with the principal employer if the funding level deteriorates beyond agreed levels.

3.4. In addition to these primary asset-liability mismatch risks, the Scheme faces a number of other risks, in particular:

i. The risk that may arise from the lack of diversification of investments. The Trustee aims to ensure the asset allocation policy results in an adequately diversified portfolio. The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that suitably diversified investments are held.

ii. The risk introduced by holding securities denominated in foreign currencies, due to movements in exchange rates. The Trustee has carefully considered this risk and more detail on how it is managed is set out in section 6.

iii. The risk arising from hedging the Scheme's interest rate and inflation risk. These risks include the ability to service collateral demands if nominal interest rate expectations increase materially, or inflation expectations fall materially (i.e. real yields rise), counterparty risks, and systemic risks to markets such as gilt repo on which the LDI strategy relies. The Trustee's view is that hedging must go hand in hand with an appropriate reduction in and control of asset risk in the rest of the portfolio to achieve overall investment efficiency. More detail on how the Trustee manages and monitors these risks is set out in Section 5.

iv. The risk associated with holding illiquid assets such as property and private market investments. This is the risk that that an asset cannot easily be sold or exchanged for cash without a substantial loss in value. Illiquid assets may also not be able to be sold quickly because of a lack of ready and willing investors to purchase the asset. The Trustee has carefully considered the Scheme's liquidity requirements, liability hedging strategy and time horizon when setting the investment strategy, and manages liquidity risk by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy. The Trustee monitors the actual exposure to illiquid assets on a regular basis.

v. The risk associated with active investment management. The Trustee may appoint managers that it believes have the skill and judgement to increase returns on a net of fees basis, compared to passive investing. The use of active, rather than passive, management may introduce additional risk. Where active risk is adopted, the Trustee ensures that it is comfortable with this risk in the context of the Scheme's overall investment risk profile. The Trustee regularly monitors the performance of its investment managers and also takes advice in relation to manager performance and prospects.

vi. The risk associated with Environmental, Social and Governance ("ESG"). The risk that ESG issues, including climate change, may have material negative impacts on the global economy and subsequently investment returns. More detail on how these risks are managed and monitored is set out in section 8.

3.5. The Trustee has considered the potential impact of these and other risks over the expected lifetime of the Scheme and acknowledges that they can be financially material to the Scheme.

3.6. The Trustee also takes into consideration non-financial matters when setting the investment objectives and strategy, but members' views on non-financial matters (where non-financial matters includes members' ethical views separate from financial considerations) are not explicitly taken into account in the selection, retention and realisation of investments.

4. Strategic Asset Allocation

4.1. When determining the appropriate mix of assets to achieve the target investment return the Trustee seeks to address and mitigate to the greatest extent possible the risks set out in section 3.

4.2. The strategic asset allocation may include, but is not limited to: developed and emerging market public and private market equity; debt, including emerging market debt, high yield debt, private debt (including corporate, infrastructure and real estate); hedge funds; absolute return funds; property; infrastructure; global multi-asset credit (e.g. loans, asset backed securities, convertible bonds, trade finance); secured finance (e.g. asset backed securities including residential mortgages and commercial real estate lending, collateralized loan obligations); sovereign debt (especially UK fixed interest and index linked gilts); insured annuity policies; cash;

equity-based derivatives; interest rate swaps; inflation swaps; total return swaps and sale and repurchase agreements.

4.3. The Trustee considers all of these classes of investment to be suitable given the circumstances of the Scheme. Investment restrictions and freedoms to hold other asset classes have been agreed with the investment managers and are set out in the agreements that the Trustee has with the managers.

4.4. By dynamically allocating assets to a range of asset classes chosen from those outlined above, coupled with the use of active management where appropriate, as well as a buy and maintain approach to corporate bond investments, it is intended that the target return is generated in an efficient manner, while also reducing overall levels of risk.

4.5. A liability hedging portfolio (or LDI mandate) is maintained within the asset allocation to reduce the volatility in the Scheme's funding ratio due to changes in interest and inflation rates. The Trustee currently has the objective of hedging 98% of liabilities on a gilts + 0.25% basis. The LDI portfolio is leveraged and thus requires adequate levels of collateral (see section 5 below). Ensuring sufficient collateral is available is an additional factor in determining the overall asset allocation.

5. Liability Driven Investment

5.1. As described above, the Trustee believes that Liability Driven Investment ("LDI") strategies should be used to reduce risk, especially the risk that the Scheme's liabilities grow faster than its assets. In choosing the target level of hedging, both the risk and return impacts have been taken into account. The Trustee has decided to hedge 98% of the Scheme's liabilities on a gilts + 0.25% basis so as to eliminate, as far as practicable, changes in the funding level driven by changes in interest or inflation rates. Further, to maximise the efficiency of the asset allocation the Trustee has accepted a level of leverage within the LDI portfolio. As set out in section 3, there are risks associated with leveraged LDI.

5.2. The Trustee has considered its tolerance to the risk that collateral could prove to be insufficient. Having taken advice, the Trustee believes the Scheme should target a prudent level of collateral in order to be in a position to deal with sudden increases in gilt yields of at least 3.5% through existing eligible collateral and/or sales of other assets. The Trustee has agreed appropriate limits on leverage within the Scheme's LDI portfolio (defined as the ratio of liabilities hedged to the LDI portfolio value) and this is monitored by the investment manager on a daily basis and reviewed regularly by the Trustee. In addition, the Trustee will ensure that the non-LDI assets are invested to provide, as far as practicable, adequate liquidity in times of market stress.

5.3. In order to mitigate counterparty risk and systematic risk, the Trustee has set constraints within the Scheme's LDI portfolio with respect to counterparty exposure and derivative usage. The Trustee regularly monitors the investment manager's compliance with these constraints.

6. Currency Hedging

6.1. The Trustee seeks to hedge the majority of its exposure against foreign currency movements. However, with respect to any exposure to emerging market currencies, the Trustee has taken the decision to leave all of the associated currency exposure unhedged. This results from an expectation of long-term appreciation of emerging market currencies against the major developed world currencies, due to expected capital flows following the relatively strong prospects for economic growth of emerging market economies.

7. Day to Day Management of the Assets

7.1. The Trustee has appointed investment managers that it believes to have particular strengths in the management of the various asset classes. The investment managers have full discretion over the day-to-day management of the assets, within predefined boundaries.

7.2. The Trustee objective is that the spread of asset types and the investment managers' policies on investing in individual securities within each asset type will provide adequate diversification of investments such that the asset mix is appropriate for controlling the risks identified in section 3. The Trustee regularly reviews the suitability of these arrangements and of the appointed managers. Following such reviews, the Trustee may from time to time make adjustments to the asset mix, manager line-up and the degree of active management. For some asset classes the hiring, monitoring and firing (if necessary) of investment managers has been delegated to Mercer.

7.3. The safe custody of the Scheme's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

7.4. Further details of the appointed managers and custodians may be found in the IPID.

8. Responsible Investment and Corporate Governance

8.1. The Trustee believes that ESG factors may have a material impact on investment risk and on return outcomes. In particular, the Trustee recognises that long-term sustainability issues, particularly climate change, present material, systemic and asymmetric risks – potentially resulting in negative outcomes which are both larger in scale and greater in likelihood than those predicted in the most frequently used asset-liability models.

8.2. The Trustee will therefore take into account such risk factors in determining the Fund's investment strategy so as to mitigate both the impact and likelihood of extreme negative outcomes.

8.3. Accordingly, the Trustee has set a target of reducing the Weighted Average Carbon Intensity ('WACI') (Scope 1 and 2 emissions) for the aggregate credit portfolio by 35% by 2030 relative to a 2020 base year. Progress relative to this target is monitored and reported on in the Scheme's annual reporting in line with recommendations made by the Taskforce on Climate-related Financial Disclosures ('TCFD'), alongside broader climate risk analysis. The Scheme's TCFD statements can be found at http://www.wincantonpensions.co.uk/.

8.4. The Trustee recognises that such fundamental environmental changes also provide investment opportunities and that effective governance has an important role to play by aligning the interests of management and public officials with those of other stakeholders including but not limited to financial investors.

8.5. Accordingly, ESG factors increasingly require explicit consideration. In doing so, the Trustee has taken into account the expected duration of the Scheme's liabilities when considering how to integrate these issues into the investment decision making process.

8.6. The Trustee has given the appointed investment managers full discretion when evaluating ESG factors, including climate change considerations, and in exercising rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

8.7. The Trustee has not set any investment restrictions for the appointed investment managers in relation to particular products or activities but may consider this in future.

8.8. However, the Trustee does consider how ESG, climate change and stewardship is integrated within investment processes and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policies on voting and engagement. The Trustee will take this into account in decisions around the selection, retention and removal of managers.

8.9. These issues are monitored by the Trustee, taking account of the investment consultant's assessment of how the fund managers incorporate ESG factors into their processes. Monitoring is undertaken on a regular basis and is documented at least annually.

9. Investment Manager Appointment, Engagement, and Strategy

9.1. Aligning manager appointments with investment strategy

9.1.1. Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers in the Mercer Funds. The relationship with Mercer is outlined in the Engagement Letter dated 16 November 2016 and subsequent amendments.

9.1.2. The other investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics over the long-term (defined as at least three years). The Trustee utilises Mercer's manager research ratings in decisions around the selection, retention and removal of manager appointments. These ratings are based on Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management.

9.1.3. If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

9.1.4. All mandates (with the exception of the LDI portfolio) are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds as part of the wider monitoring of the Scheme's managers.

9.1.5. Where the Scheme's investments are made through pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be (and are) selected to align with the overall investment strategy.

9.1.6. Where deemed appropriate, investment managers have been appointed to run bespoke mandates, such as the LDI and buy and maintain credit portfolios. In particular, the LDI manager has been appointed to manage the assets in line with a Scheme-specific benchmark based on the underlying liabilities of the Scheme.

9.1.7. The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then it will look to replace the manager. Further details on this are provided below.

9.2. Evaluating investment manager performance

9.2.1. The Trustee receives investment manager performance reports from the managers and Mercer on a quarterly basis, which present performance information over 3 month, 1 year, 3 years and since inception periods. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time period), on a net of fees basis. The Trustee's focus is primarily on long term performance (i.e. three years or longer) but short term performance is also reviewed.

9.2.2. The Trustee also receives a more detailed annual report from Mercer which contains key performance statistics on each of the managers, peer group comparisons and long-term (three year or since inception) performance commentary.

9.2.3. If a manager is not meeting performance objectives over the long-term, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees instead of terminating the appointment.

9.3. Portfolio turnover costs

9.3.1. The Trustee receives MiFID II reporting from their investment managers and Mercer (where applicable).

9.3.2. The Trustee engages with the credit investment managers to include portfolio turnover and turnover costs in their presentations and reports where applicable. The Trustee will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover across the same asset class on a quarterly basis and relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

9.3.3. The Trustee does not explicitly monitor portfolio turnover costs across the whole portfolio, but this is considered indirectly by Mercer when forming a research view for a particular strategy.

9.4. Manager turnover

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

9.4.2. For open-ended funds, the Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate;

9.4.3. For closed-ended funds (private markets, secured finance, real estate debt), the Scheme is invested for the lifetime of the fund. At the time of appointment, the Trustee receives an indication of the expected investment duration of their funds. In order to maintain a strategic allocation to these asset classes, the Trustee may choose to stay with the manager in a new closed fund (if available) for that asset class or appoint a different manager.

10. Review of this Statement

10.1. The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee which they judge to have a bearing on the stated investment policy.

10.2. This review will occur no less frequently than every three years, normally following a triennial actuarial valuation.

September 2025

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Signed Date

For and on behalf of Wincanton Pension Scheme Trustees Limited