

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2019, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated September 2020, June 2024 and April 2025 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year and subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement. This Statement covers the period 6 April 2024 to 5 April 2025.

Investment objectives of the Plan

Funding Objective

The primary funding objective of the Plan is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Plan members as and when these fall due.

Investment Objectives

The Trustees' objectives with regard to investing the Plan assets are to:

- Achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
- Adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

Stewardship policy

The Trustees' stewardship policy, as set out in the SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees expect their Investment Managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their Investment Managers.

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Review of the SIP and Investment Strategy

The Trustees reviewed the SIP in Q2 2024 to ensure this was still appropriate. The Trustees last reviewed the SIP in March 2025, which was updated to take account of the latest investment strategy changes. The Plan underwent de-risking in Q1 2025 and moved to an interim portfolio ahead of the 2025 actuarial valuation, detailed on page 33 of the April 2025 dated SIP.

The Trustees have a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustees' SIP.

Investment managers and funds in use

As part of the de-risking during Q1 2025 the Trustees moved to an interim portfolio ahead of the 2025 actuarial valuation. In alignment with the Plan's investment objectives, the Trustees have put into effect this strategic asset allocation outlined in the table below:

| Asset Class | Investment Manager | Fund | Target Asset Allocation as at 5 April 2025 |
|-------------------------------------|---------------------|--------------------------------------|--|
| Global Equities | L&G | World Equity Index Fund | 5.1% |
| | | World Equity Index Fund – GBP Hedged | |
| Diversified Growth Funds | BNY Mellon (Newton) | Real Return Fund | 30.5% |
| | Baillie Gifford | Multi Asset Growth Fund | |
| Absolute Return Bonds | BNY Mellon (Newton) | Global Dynamic Bond Fund | 5.3% |
| Liability Driven Investments | L&G | Matching Core Fixed Long Fund | 11.5% |
| | | Matching Core Real Long Fund | 16.7% |
| Cash | L&G | Sterling Liquidity Fund | 30.9% |
| Total | | | 100% |

In addition, as part of the Q1 2025 de-risking the Trustees adopted 100% target hedge ratios for interest rate changes and inflation expectation changes measured on an estimated solvency liability basis.

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Investment Governance

The Trustees are responsible for making investment decisions and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Plan to help form their policies set out in the SIP.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and now the Pensions Regulator. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in December 2019, and are reviewed every three years.

There were no changes to the objectives put in place for Broadstone which were last reviewed in March 2024. The Trustees last reviewed the performance of the investment consultant against the objectives in February 2025.

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Plan's SIP have been followed:

| Requirement | Policy | Implementation of Policy |
|--|--|---|
| Financially and Non-Financially Material Considerations | <p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect their Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of the Investment Managers.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect their Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.</p> | No deviation from this policy over the year to 5 April 2025 |
| Voting Rights and Engagement | <p>The Trustees believe that <u>in order</u> to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees expect their Investment Managers to exercise their ownership rights, including voting and engagement rights, <u>in order to</u> safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their Investment Managers.</p> | No deviation from this policy over the year to 5 April 2025 |

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Financially and non-financially material considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds the Plan currently invests in are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by their investment managers, and input from their Investment Consultant on ESG matters. These views are also taken into account when appointing and reviewing an investment manager.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers, given they are investing in pooled funds.

The Trustees invest across a range of asset classes and styles. The Trustees expect the investment managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustees' views for each of the Plan's asset classes is outlined below:

| Asset Class | Actively or Passively Managed? | Comments |
|---|--------------------------------|--|
| Global Equities | Passive | The Trustees acknowledge that the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the Investment Manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies. |
| Diversified Growth Funds | Active | The Trustees expect the Investment Managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the Investment Managers to use its discretion to generate higher risk adjusted returns. The Trustees also expect their Investment Managers, to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights. |
| Absolute Return Bonds | Active | The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their Investment Manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights. |
| Liability Driven Investments (LDI) | Active | The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities. |
| Cash | Passive | The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment. |

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Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence the investment managers. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any administrative mechanism to cast a vote in line with their views on the underlying holdings. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

Within the current investment arrangements, the Plan invests in four funds that contain publicly listed equity holdings. These funds have voting rights attached to these underlying equities, and the Trustees have delegated these voting rights to the investment managers, where they will set their own voting policy. A summary of the votes made by the investment managers from 1 April 2024 to 31 March 2025 on behalf of the Trustees for each fund currently used by the Plan bearing equities is provided in the table below:

| Manager | Fund | Resolutions voted on | Total Resolutions Voted: | | |
|--------------------------------|--------------------------------------|-------------------------|--------------------------|---------|-----------|
| | | | For | Against | Abstained |
| L&G | World Equity Index Fund | 35,668 | 79% | 21% | 0% |
| L&G | World Equity Index Fund – GBP Hedged | 35,668 | 79% | 21% | 0% |
| BNY Mellon (Newton) | Real Return Fund | 1,067 | 95% | 5% | 0% |
| Baillie Gifford | Multi Asset Growth Fund | 606 | 95% | 3% | 2% |

Information regarding proxy voting is detailed below:

- **L&G** utilise ISS's 'ProxyExchange' voting platform for proxy voting services.
- **BNY Mellon (Newton)** utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research.
- **Baillie Gifford** are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis) but client voting decisions are made in-house and in line with Baillie Gifford's in-house policy.

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Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the investment managers. In determining significant votes, the investment managers will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an engagement campaign, in line with Investment Stewardship’s 5-year ESG priority engagement themes.

The Trustees believe the following represents the significant vote undertaken on their behalf over the scheme year:

| SIGNIFICANT VOTE – L&G | |
|---------------------------------|--|
| Company | Microsoft Corporation |
| Date | 10 December 2024 |
| % of portfolio invested in firm | 4.14% of the L&G World Equity Index Fund |
| Resolution | Resolution 9: Report on AI Data Sourcing Accountability |
| Why significant | High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received. |
| How voted | VOTED AGAINST |
| Manager Comments | <i>“Shareholder Resolution - Governance: A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models. L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.”</i> |
| Vote outcome | Fail |

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| SIGNIFICANT VOTE – BNY Mellon (Newton) | |
|--|---|
| Company | The Goldman Sachs Group, Inc. |
| Date | 24 April 2024 |
| % of portfolio invested in firm | 0.90% of the BNY Mellon Real Return Fund |
| Resolution | Report on Clean Energy Supply Financing Ratio |
| Why significant | This vote was deemed significant owing to the rarity of a shareholder proposal receiving significant support. |
| How voted | VOTED FOR (against management recommendation) |
| Manager Comments | <i>"We supported a shareholder proposal asking for a report on clean energy supply financing ratio as we believe the ratio will help shareholders assess how the bank is capitalizing on clean energy opportunities and aligning itself with the net zero by 2050 pathway. We deemed this vote to be material as climate transition is a risk (and opportunity as well) for the bank. Further, in our view, the remit of this proposal aligns with shareholder's interests. The ask of the proposal is to disclose a clean energy financing to fossil fuel financing ratio to assess financing the clean energy transition. A clean energy financing ratio by banks would provide investors with a completer and more accurate figure to evaluate a bank's alignment with their net-zero goal. The clean energy ratio should align easily with existing sustainable and green financing goals of a bank. Additionally, banks would need to define what encompasses clean energy and fossil fuels, which should be beneficial for shareholders. The proposal does not step on management's prerogatives while improving disclosures on financing energy transition, linking it to a metric. We will continue to engage with the bank to try and make their climate transition plan more robust."</i> |
| Vote outcome | Fail (28.5% FOR) |

| SIGNIFICANT VOTE – Baillie Gifford | |
|------------------------------------|---|
| Company | Rexford Industrial Realty, Inc. |
| Date | 11 June 2024 |
| % of portfolio invested in firm | 0.79% of the Baillie Gifford Multi Asset Growth Fund |
| Resolution | Remuneration - Advisory Vote to Ratify Named Executive Officers' Compensation |
| Why significant | This resolution is significant because Baillie Gifford opposed remuneration, and it was a vote against management. |
| How voted | VOTED AGAINST (against management recommendation) |
| Manager Comments | <i>"We opposed the executive compensation as we do not believe the performance conditions are sufficiently stretching."</i> |
| Vote outcome | Pass |

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The Trustees believe that the most significant votes detailed above are aligned with the Plan's stewardship priorities as detailed at the start of this document.

Engagement activities

The notable engagement activities of the investment managers over the last 12 months is provided below:

- **L&G** met with Qantas four times during 2024, aiming to discuss governance issues highlighted by the controversies regarding over-boarding, succession and remuneration. The discussions helped L&G to gain a closer understanding of stability of the board, the timeframes over which over-boarding of the chair can reasonably be corrected, and the steps taken by the remuneration committee to hold relevant directors and executives accountable for their actions. Regarding issues with the remuneration, L&G feel that the company's new remuneration committee chair has taken sufficient action against the directors responsible for previous misconduct at the company, including a notable and highly publicised clawback of over AU\$9 million from the former CEO. Despite some concerns, L&G considered in light of the steps taken and the explanations received during their engagements with the company, that support for these actions by the remuneration committee was warranted. Since the controversies regarding over-boarding, succession and remuneration, both the Board Chair and the Chair of the Remuneration Committee have been replaced and the board has undergone a degree of refreshment, bringing average tenure down to three years. L&G believe the significant changes to the board and the new steps being taken at Qantas are encouraging. While there are a number of areas that L&G will continue to monitor, they take a positive view of the changes the company has made.
- **BNY Mellon (Newton)** engaged with Pershing Square Holdings on their governance procedures regarding their quoted overall charges figure on their Key Information Document (KID) and the European MiFID Template (EMT). Historically, investment trusts have been asked to report the cost of running the investment trust separately in its marketing documents. However, there is a valid argument that these costs are already factored in the share price, as the share price is the market's assessment of the value of the company including its costs. This leads to a double-counting of costs which shareholders need to bear. Recent guidance from the FCA and the subsequent statement of forbearance suggests that the trusts can mark down their costs to a zero based on the aforementioned arguments. Newton prioritised their engagement with Pershing Square and wrote a letter to the board chair requesting that the trust act swiftly to implement zero costs in its KID and EMT (EMTs are also important for trusts that are not domiciled in the UK and/or have European investors). Pershing Square subsequently confirmed that it has distributed a UK KID and UK EMT both with zero costs.
- **Baillie Gifford** engaged with the head of sustainability at Ryanair in September 2024 to discuss the company's decarbonisation strategy. Baillie Gifford discussed the reliance on targeted emissions reductions via fuel efficiency, SAF and adoption of emerging and carbon offsetting. Ryanair detailed that some of the decarbonisation initiatives have dependencies outside of their control including delays in new jet deliveries from Boeing. However, Baillie Gifford were encouraged by Ryanair's progress in securing SAF supplies. Baillie Gifford were also impressed with Ryanair's proactive approach and their openness in discussing the potential obstacles and lengthy timelines for regulatory reform. Baillie Gifford believe it is too early to predict whether Ryanair will meet its 2030 emission targets, but the engagement confirmed that these targets are credible for the company and its broader decarbonisation efforts are industry leading. Baillie Gifford will continue to monitor Ryanair's decarbonisation strategy in the future.

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Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. The investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2024 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Managers are outlined in the table below:

| Manager | UNPRI Score |
|---------------------|-------------|
| L&G | ★★★★★ |
| BNY Mellon (Newton) | ★★★★ |
| Baillie Gifford* | ★★★★ |
| <i>Median</i> | ★★★ |

*2023 UNPRI score.

The Trustees also consider the investment manager's policies on stewardship and engagement when selecting and reviewing an investment manager.

Monitoring of Investment Arrangements

In addition to any reviews of the investment managers or approaches, and direct engagement with the investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from Mobius Life and Broadstone to ensure the investment objectives set out in their SIP are being met.

Signed:

Date:

On behalf of the Trustees of The Quarr Group Limited Pension and Life Assurance Plan