



# **Quarr Group Limited Pension & Life Assurance Plan**

## **Statement of Investment Principles**

**March 2025**

## **1. Introduction**

This Statement sets out the principles governing decisions relating to the investment of the assets of the Quarr Group Limited Pension & Life Assurance Plan ('the Plan').

The Plan is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

## **2. Decision Making Process**

### **The Trustees**

The investment of the Plan's assets is the responsibility of the Trustees and the Plan Rules give the Trustees broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustees' policy is to seek professional advice on investment strategy. They decide on the investment strategy after considering investment advice from the Investment Consultant. The Trustees recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues. In determining their investment strategy, the Trustees address the following:

- the need to consider a full range of asset classes
- the risks and rewards of a range of alternative asset allocation strategies
- the suitability of each asset class
- the need for appropriate diversification
- the Plan's Investment and Funding Objectives.

### **The Investment Consultant**

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations. The Investment Consultant also monitors and reports on the performance of the Investment Managers.

## ***Quarr Group Limited Pension & Life Assurance Plan***

The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustees.

Broadstone Corporate Benefits Limited has been appointed as Investment Consultant to the Trustees on the basis that the Trustees believe them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such schemes.

Broadstone Corporate Benefits Limited is authorised and regulated by the Financial Conduct Authority.

### **The Employer**

The Trustees will consult with the Employer as part of the process for deciding on their investment strategy.

### **Delegation**

The Trustees have a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated under the Financial Conduct Authority.

The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.

## **3. Investment Objectives**

### **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' high level 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.

### **Performance Objective**

The Investment Managers have each been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

## **4. Investment Strategy**

The Trustees implemented an interim de-risked portfolio ahead of the 2025 actuarial valuation due to an improved funding position. The Trustees will review the investment strategy as part of the 2025 actuarial valuation process and agree any updated objectives.

## **Quarr Group Limited Pension & Life Assurance Plan**

Given their investment objectives, the Trustees previously agreed the following strategic asset allocation:

<b>Asset Class</b>	<b>Strategic Asset Allocation</b>
<b>Global Equity</b>	20.0%
<b>Diversified Growth Funds</b>	45.0%
<b>Absolute Return Bonds</b>	10.0%
<b>Liability Driven Investments (LDI) - Nominal</b>	10.0%
<b>Liability Driven Investments (LDI) - Real</b>	15.0%

As part of the de-risking during Q1 2025 the Trustees moved to the following interim portfolio ahead of the 2025 actuarial valuation:

<b>Asset Class</b>	<b>Strategic Asset Allocation</b>
<b>Global Equity</b>	5.1%
<b>Diversified Growth Funds</b>	30.5%
<b>Absolute Return Bonds</b>	5.3%
<b>Liability Driven Investments (LDI) - Nominal</b>	11.5%
<b>Liability Driven Investments (LDI) - Real</b>	16.7%
<b>Cash</b>	30.9%

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustees agreed the range of funds used in the strategy taking into account the maturity of the liabilities. The Trustees are satisfied that the funds selected are consistent with their investment objectives and that the range agreed is sufficiently robust to allow easy adjustment between the funds as the risk appetite changes and the Plan matures.

The Trustees may, from time to time, decide to change the funds used within the overall investment strategy and the investment allocation between the funds as alternatives emerge, funds change and the Plan develops.

## **5. Cash Flow and Rebalancing**

The Trustees will invest new money (or disinvest as required for cash flow purposes) to bring the asset allocation back to the benchmark strategy as far as possible, taking into account advice from the Investment Consultant.

The Trustees are mindful of the need to consider rebalancing the assets of the Plan in line with the Plan's strategic benchmark asset allocation periodically or when the control ranges are breached. The Trustees will monitor the Plan's actual asset allocation on a regular basis and will decide on a course

of action which may involve redirecting cash flows, a switch of assets or taking no action, taking into account advice from the Investment Consultant.

## **6. Expected Return**

The Trustees expect the return on assets to be consistent with the investment objective and investment strategy outlined on the previous pages.

The Trustees expect to generate a return over the long-term of circa 0.75% per annum (net of expenses) above a portfolio of long dated UK Government bonds (which are considered to change in value in a similar way to the Plan's liability values). This return is a 'best estimate' of future returns that has been arrived at given the Plan's longer term asset allocation and in the light of advice from the Investment Consultant.

The Trustees recognise that, over the short-term, performance may deviate significantly from this long-term expectation. This 'best estimate' will also generally be higher than the estimate used for the actuarial valuation of the Plan's liabilities. For this purpose, a more prudent estimate of returns will generally be used, agreed by the Trustees on the basis of advice from the Scheme Actuary.

## **7. Investment Manager Structure**

The Trustees utilise a number of Investment Managers to manage the assets of the Plan. The Investment Managers are regulated under the Financial Services and Markets Act 2000.

The Trustees have appointed Mobius Life Limited ("the Platform Provider") to provide a platform for the Plan's assets. The Platform Provider is regulated under the Financial Conduct Authority and the Prudential Regulation Authority and has been selected in order to effect cost and operational efficiencies in the management of the assets. The Trustees utilise Mobius Life to access the Legal & General Investment Management ('LGIM'), Baillie Gifford Investment Management and BNY Mellon Investment Management, fund investments. The Investment Managers are themselves regulated under the Financial Conduct Authority. The Trustees entered into a contract with Mobius Life Limited in July 2018.

The Trustees have decided to invest in pooled funds, other collective investment vehicles, and cash. The Plan does not invest directly in stocks, shares, bonds, derivatives etc.

The Trustees have decided to invest in pooled funds because:

- the Plan is not large enough to justify direct investment in equities or bonds on a cost-effective basis
- pooled funds allow the Plan to invest in a wider range of assets, which serves to reduce risk
- pooled funds provide a more liquid form of investment than certain types of direct investment

The Investment Managers appoint individual custodians to hold the securities owned by the Plan.

## **8. Investment Monitoring**

The Trustees employ Broadstone to assist in monitoring the performance of the Plan's investment strategy and Investment Managers.

## **Quarr Group Limited Pension & Life Assurance Plan**

The platform provider provides the Trustees with monthly reports setting out a valuation of the funds on the platform.

The Investment Consultant attends Trustee meetings in order to report on the Investment Managers' activity and performance, provide advice to the Trustees and to answer any questions the Trustees may have.

The Investment Managers will supply the Investment Consultant with sufficient information when requested in order to monitor financial and non-financial performance.

### **9. Portfolio Turnover Costs**

The Trustees expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

### **10. Corporate Governance**

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles, the day-to-day application of voting rights will be carried out by the Investment Managers. Consequently, the Trustees expect the Plan's Investment Managers to adopt a voting policy that is in accordance with best industry practice.

### **11. Environmental, Social and Governance (ESG)**

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 their Investment Managers.

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, they 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.

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.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

## **12. Conflicts of Interest**

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

## **13. Incentivisation of Investment Managers**

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Plan.

## **14. Employer Related Investments**

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

## **15. Risks**

The Trustees recognise that a number of risks are involved in the investment of the assets of the Plan. They have identified the following principle risks which have the potential to cause deterioration in the Plan's funding level:

- **Solvency risk:** The risk that the Plan has insufficient assets to meet all its liabilities as they fall due.
- **Mismatching risk:** The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.

## **Quarr Group Limited Pension & Life Assurance Plan**

- **Manager risk:** The failure by the Investment Managers to achieve the rates of investment return assumed.
- **Liquidity risk:** The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities.
- **Custodian risk:** The risk of failed or inadequate performance by the custodian.
- **Concentration Risk:** The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets.
- **Political risk:** The financial risk that a country's government will suddenly change its policies. This includes events unfolding in the Eurozone and elsewhere, other government actions, geopolitical events, and socio-economic changes that can lead to social unrest.
- **Sponsor risk:** The possibility of failure of the Plan's sponsoring employers.
- **Counterparty risk:** The risk that other parties in any trade or position will default, i.e will renege on their contractual obligations, resulting in a financial loss to the Plan.
- **Currency risk:** The risk associated with exposure to unexpected fluctuations in exchange rates. Fluctuations in currency values (both of the home currency and the foreign currency) can reduce the returns associated with foreign investments.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

- The actual funding level versus the Statutory Funding Objective.
- Actual performance versus the Plan's investment and funding objectives.
- Investment Managers' performance versus their respective benchmarks and targets.
- Any significant issues with the Investment Manager that may impact their ability to meet investment performance objectives set by the Trustees.

## **16. Fee Structures**

The Investment Managers receive a management fee on the basis of assets under management. The Platform Provider is paid a fee on the basis of assets held on the platform. The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

## **17. Best Practice Principles**

## **Quarr Group Limited Pension & Life Assurance Plan**

In October 2008, the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting

The Trustees periodically review their compliance with the best practice Principles. The Trustees believe that they comply with the spirit of the Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

### **18. 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 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 experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

[REDACTED]

**For and on behalf of the Trustees of the Quarr Group Limited Pension & Life Assurance Plan**

[REDACTED]

---

Date