

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustees of the HPC Pension Plan (“the Plan”) in accordance with the Pensions Act 1995, as amended. It is subject to review by the Trustees at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustees have consulted with the principal employer to the Plan (HPC plc).

Plan Objective

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Trustees’ over-riding funding principles for the Plan are to set the employer contribution at a level which is sufficient to:

Build up assets to provide for any new benefits of active members as they are earned;

Recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and

Ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The value of liabilities is calculated on the basis agreed by the Trustees and the Scheme Actuary. The funding position is monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

In December 2024, the Trustees entered into a bulk annuity insurance policy (“the Policy”) with Utmost Life and Pensions (“Utmost”) that is expected to secure the Plan’s remaining liabilities i.e. to cover the benefits of all Plan members not already insured. Utmost covers the longevity and demographic risks of members via the Policy which is structured to provide the closest possible match for inflation and interest rate risks in relation to the liabilities.

In entering the Policy, the Trustees received written advice as necessary from their professional advisers, and due diligence requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustees carried out extensive due diligence assessment on Utmost, noting the regulatory environment in which the insurer must operate, which is currently administered by the Prudential Regulation Authority (“PRA”).

The Trustees have also historically purchased a number of individual annuities to cover certain member’s benefits. These are held with Scottish Widows and, similar to the policy with Utmost, cover the longevity and demographic risks of these members. Collectively, the individual annuities and the bulk annuity insurance policy with Utmost are known as “the Policies”.

Investment Strategy

As a result of the buy-in, the Plan now only holds two assets, namely: the Policies, and cash, which is in turn invested in sterling money market funds that focus on capital preservation and daily liquidity.

Suitability

The Trustees took advice from the Plan’s risk transfer advisers and actuaries who have confirmed appropriate knowledge and experience of the management of and investment of trust schemes, to ensure that the Policies are suitable.

The Trustees give full and proper consideration to the impact that any investment decisions made in relation to the Plan will have on the principal employer.

Risk

Following the buy-in policy transaction with Utmost, the Plan recognises certain risks, including those described below, involved in the ongoing concerns of the Plan. The Trustees continue to monitor these risks and accept that some degree of risk is inevitable in the effective management of investments.

- **Concentration risk:** The Trustees recognise that a decision to invest in a buy-in contract with a single provider represents a concentration of risk and has addressed this through scrutiny of the provider.
- **Investment risk:** The principal risk facing the Plan, following the full buy-in exercise, is that Utmost may default on its obligations under the buy-in contract. To mitigate this, the Trustees have obtained and carefully considered professional advice regarding the financial strength of Utmost and the insurance regulatory regime, and concluded that this risk is acceptably low.
- **Covenant risk:** The risk that the sponsor (principal employer or parent company) may withdraw or substantially weaken its covenant to support the Plan, primarily impacting the Plan's ability to meet expenses or liabilities in excess of the current cash holdings.

Realisation of investments

The Plan is invested in a full insurer buy-in contract and individual annuities, the Policies, whereby Utmost and Scottish Widows make monthly payments to the Plan covering members' benefit payments. Therefore, the realisation of assets is not considered relevant to the circumstances.

Additional Voluntary Contributions ("AVCs")

The Trustees give members the opportunity to invest in a range of vehicles at the members' discretion.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including Environmental, Social and Governance ("ESG") factors, is relevant at different stages of the investment process.

The Trustees have entered into a full buy-in contract with Utmost and individual annuities with Scottish Widows. The Policies have not been structured with expected return in mind, but instead aim to match the Plan's benefit obligations. As part of the broader formal selection process and review criteria for the insurer, including financial strength and market experience, the Trustees considered ESG matters and received the guidance of professional advisers in this area.

Stewardship

Given that the Plan is entirely invested in an insurer buy-in contract and individual annuities, monitoring opportunities for engagement and voting are extremely limited. The Trustees are mindful and accepting of this.

Monitoring

The Plan Trustees will monitor the insurer service periodically, considering such factors as financial strength.

Signed for and on behalf of the Trustees of the HPC Pension Plan

Trustee

Trustee

Trustee

Trustee