

Saint-Gobain Distribution UK Pension Scheme (“the Scheme”)

Statement of Investment Principles – August 2023

1. Introduction

Saint-Gobain UK Pension Trustees Limited (“the Trustee”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of Section 35 of the Pensions Act 1995 (as amended) and the Occupational Pension Scheme (Investment) Regulations 2005 (as amended).

This Statement has been prepared after obtaining written professional advice from Aon Solutions UK Limited (the “Investment Adviser”) which is regulated by the Financial Conduct Authority (“FCA”). The Trustee of the Scheme considers that the Investment Adviser meets the requirements of Section 35 (5) of the Pensions Act 1995.

The Trustee was appointed on 31 January 2022 and has agreed to continue managing the Scheme in line with the approach taken by the previously appointed trustees. This Statement reflects that and references to the Trustee making decisions or considering issues should be taken as references to the previous trustees of the Saint-Gobain Distribution UK Pension Scheme where appropriate.

The Scheme’s investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (“IPID”). This document is available to members on request. The Statement will also be published on a publicly accessible website. The Scheme is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee’s investment powers. The investment powers do not conflict with this Statement.

2. Structure of the Scheme

The Scheme comprises two Sections (listed below) with the same Participating Employer.

Building Distribution
Gibbs and Dandy

Subject to the provisions of the Trust Deed and Rules, the Principal Employer and the Trustee may agree to merge two or more of the Sections.

The Trustee of the Scheme is responsible for the investment of the Scheme’s total assets. The investment strategy of an individual Section of the Scheme may or may not vary from that of the other Sections depending on the Trustee’s and Principal Employer’s risk tolerance, or the Section’s funding level, maturity, size and any other consideration for that Section that is considered to be appropriate.

3. Fund Governance

A brief overview of the various parties involved in the Scheme’s governance structure is set out below. A more detailed description is listed in the IPID.

The Trustee

The Scheme's assets are held in trust by Saint-Gobain UK Pension Trustees Limited. The investment powers of the Trustee are set out in the Scheme's Trust Deed and Rules. The Trustee is responsible for the investment of the Scheme's assets. The Trustee is able to delegate certain decisions. When determining which decisions to delegate, the Trustee has taken into account whether the trustees have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. Further, the Trustee's ability to effectively execute the decision is also considered.

The Trustee is responsible for reviewing all investment issues relating to the Scheme's, or any of the underlying Sections', long-term target asset allocation with a view to deciding upon and implementing any changes as appropriate including the replacement and selection of investment managers.

The Trustee is responsible for liaising and consulting with the Principal Employer and their advisers as appropriate, regarding proposals on changes to the Scheme's investment arrangements. The Trustee acknowledges that the Principal Employer's views may differ from their own and they will work with the Principal Employer to resolve these differences. However, the Trustee recognises that their fiduciary obligations are to the Scheme's members and these obligations will take precedence over the Principal Employer's wishes.

Secretary to the Trustee

The Trustee may delegate the authority to implement changes to the investment strategy to the Secretary to the Trustee. If there is any doubt whether the delegated action falls outside of the "implementation" remit and relates to strategic decision-making, the Secretary to the Trustee will defer to the Trustee.

The Investment Adviser

Aon Solutions UK Limited ("Aon") has been appointed as the Investment Adviser to the Trustee. The details of Aon's appointment, in terms of both obligations and remuneration, are contained in a signed agreement between the Trustee and Aon. Aon provides the Trustee with sufficient information to ensure that it is fully informed as to the decisions it takes and to monitor those that it delegates. Aon is paid according to an agreed fee basis. Additional projects are negotiated separately. The Investment Adviser attends Trustee meetings as appropriate.

The Trustee considers that Aon meets the requirements of Section 36 (6) of the Pensions Act 1995.

The Investment Managers

The Trustee has chosen to entrust the day-to-day management of the Scheme's investments to the Investment Managers, as specified in the IPID. The terms of this are contained in the documentation provided by the Investment Managers to the Trustee. This documentation will differ dependent on whether the Trustee is appointing an investment manager under an investment management agreement (i.e. segregated to other client assets) or investing in a collective investment fund managed by that Investment Manager. The documentation is reviewed by the Trustee as part of appointing an Investment Manager.

Where the documentation is an investment management agreement this specifies:

- The investment objectives along with the appropriate benchmark(s) and risk parameters;
- The Investment Managers' approach in attempting to achieve the objectives; and
- The timescale of performance measurement and assessment.

For investment in a collective investment fund the documentation will be the subscription documentation of that fund (possibly with an additional side letter for any Scheme-specific parameters).

The Trustee will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

There is typically no set duration for arrangements with investment managers, although the continued appointment of all investment managers will be reviewed periodically. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Details of the Scheme's strategic framework, within which the Investment Managers operate, are specified in the IPID. A listing of the Scheme's current portfolios managed by the Investment Managers (including a description of its mandates, benchmarks and fee details) is also set out in the IPID.

The Custodian

The Custodian, as specified in the IPID, provides safekeeping for the Scheme's assets not invested in policies of insurance and performs the associated administrative duties. The details of this appointment are detailed in the contract between the Trustee and the Custodian.

4. Factors Influencing the Investment Objectives

The Trustee has considered its key investment objectives to guide it in its strategic management of the assets. The Principal Employer will be consulted regarding issues that affect it. The Trustee recognises that while investment of the Scheme's assets has a long-term time horizon, the Scheme also has short-term needs.

Goal

The Scheme has been established primarily to pay benefits to members on retiring from the Scheme as well as to provide benefits to members' dependants on death before retirement. These benefits are funded, in part, by members' contributions. The balance of the cost is met by the Principal Employer and Participating Employers.

Nature

Retirement benefits for active members are determined with reference to the members' length of service and pensionable salary. Deferred members' benefits are re-valued in line with inflation (as measured by the increase in the Retail Price Index or the Consumer Price Index, dependent upon Section), subject to upper limits as defined by Limited Price Indexation regulations. Pensions in payment are increased in line with inflation (as measured by the increase in the Retail Price Index or the Consumer Price Index, dependent upon Section), subject to upper limits as defined by Limited Price Indexation regulations where relevant. Where guaranteed minimum increases exist, these are taken into account.

Investment horizon

After a detailed review by the Trustee and discussion with the Principal Employer, the Trustee believes that the Scheme has a long-term time horizon.

Trustee's Considerations

The Trustee seeks to maintain the security of the Scheme's members' benefits by achieving and maintaining a funding position of 100% on an ongoing basis. The Trustee is aware that the funding level was less than 100% for one of the Sections at the last formal actuarial valuation (as at 5 April 2020). The Trustee has secured a package of formal asset pledges from the Principal Employer/Participating Employers and agreed an investment policy and contribution schedule with the Principal Employer that is consistent with the Scheme's funding policy as set out in the Schedule of Contributions and Statutory Recovery Plan. The Trustee reviews these objectives as part of the triennial Actuarial Valuations.

5. Responsible Investment and Corporate Governance

Environmental, Social, and Governance considerations

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its Investment Adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Stewardship - Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in

the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustee has delegated voting and engagement activities to the Scheme's investment managers. As part of this delegation, the Trustee accepts responsibility for how the managers steward assets on its behalf, including the casting of votes in line with each managers' individual voting policies.

As part of its delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee shares the policies, as set out in this SIP, with the Scheme's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement and voting actions. The Trustee may periodically review the alignment of its policies to those of the Scheme's fund managers and encourage their managers, or other third parties, to use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change. The Trustee also asks managers about their stewardship activities as part of their appointment.

The Trustee regularly reviews the suitability of the Scheme's appointed asset managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers, where applicable, as well as any prospective managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will engage with the manager (via different medium such as emails, calls or face-to-face meetings) and seek a more sustainable position, but may look to replace the manager. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's investment managers and ensure the managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with the Scheme's investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members upon request.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may

engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical consideration, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

6. Cost Transparency

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports through a third party, ClearGlass, covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's Investment Adviser monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee, and flags to the Trustee where there are concerns.

The Trustee accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee evaluates the performance of the Scheme's investment managers relative to their respective objectives on a regular basis via its investment monitoring reports and updates from the investment managers. The Trustee also reviews the remuneration of the Scheme's investment managers to ensure that these costs are reasonable in the context of the kind and balance of investments held.

7. Investment Objective

The Trustee's overall investment policy is currently guided by the following objectives:

- To achieve and then maintain an ongoing funding level of 100%.
- Over the longer term (in the absence of additional contributions from the Principal Employer) to secure the liabilities of the Scheme with an insurance company.

The Trustee works with the Principal Employer to determine an investment strategy which meets the Trustee's and Principal Employer's requirements. Details of the strategies used by each Section are detailed in the IPID.

8. Investment Policy

The investment policy falls into two parts:

- i. The strategic management – the setting of which is one of the fundamental responsibilities of the Trustee; and
- ii. Day-to-day management of assets, which is delegated to the Investment Managers.

Strategic Management

A high-level asset allocation, being the split between equities, bonds (and other liability matching assets) and alternative assets, has been set for each section as detailed in the IPID.

Day-to-day Management

The Trustee has delegated the day-to-day management of the assets, to implement the strategy, to the Investment Managers. Details of the Investment Managers as well as the mandates and attaching fees are set out in the IPID.

Realisation of Investments

In general, the Scheme's Investment Managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Scheme's Investment Managers have responsibility for generating cash as and when required for benefit outgoings (subject to varying restrictions imposed by the Investment Managers).

Fees

All fees associated with managing the Scheme must be explicitly declared and charged. The Trustee shall settle all such reasonable charges on presentation of an invoice, or in accordance with any substitute arrangement agreed.

The Scheme is liable for any costs properly incurred by the Investment Managers in association with their management of the Scheme's assets in accordance with their contract with the Trustee. These costs include reasonable commissions, transfer and registration fees, taxes, stamp duties and other fiscal liabilities. The Trustee will monitor the level of these charges on a periodic basis by reference to the IMA Level 2 Pension Fund Disclosure reports the Investment Managers are asked to produce.

9. Investment Risk

The Trustee regards 'risk' as the likelihood of failing to achieve the objectives set out above and have taken several measures which are set out in this Statement to minimise this risk, so far as is possible.

The Trustee recognises that, with the development of modern financial instruments, it would be possible to select “matching” investments whose cashflows are similar to the estimated liability cashflows, especially in their sensitivity to inflation and interest rates. However, the Trustee also recognises that minimising investment risk in this manner would minimise the expected investment return, relative to the liabilities and, other things being equal, increase the Principal Employer’s expected contribution requirements.

In order to meet the Scheme’s investment objective within a level of contributions that the Principal Employer and the Participating Employers have indicated they are willing to make, the Trustee has decided to take some investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the Scheme’s liabilities.

The Trustee’s willingness to take on investment risk is dependent on the continuing financial strength of the Principal and Participating Employers and their willingness to contribute to the Scheme. The strength of the Participating Employers and their perceived commitment to the Scheme is monitored by the Trustee and risk will be reviewed if either of these changes.

The degree of investment risk taken will also depend on each Section’s funding status and liability profile. The Trustee will monitor these with a view to altering the investment objectives and risk tolerances if there is a change in either.

The level of risk in the Scheme’s investment strategy has been assessed based on assumptions regarding the behaviour of the asset classes versus the Scheme’s liabilities. The behaviour of investment markets changes over time. The Trustee monitors this behaviour with help from their Investment Adviser to gauge whether changes should be made to the investment strategy.

In arriving at their investment strategy and the production of this Statement, the Trustee have considered the following further risks:

- actions by the Investment Managers (investment risk)
- the need to pay benefits when due (cash-flow risk)
- the failure of some investments (including default risk, market risk, concentration risk)
- actions by the custodian (custody risk)
- the failure of a third party to meet their obligations (counterparty risk)
- the risk of political and regulation changes (socio-political risk)

The Trustee believes, at this point in time, that proper diversification of investments is of the utmost importance. It is the Trustee’s policy that investments should only be made in assets which are suitable for achieving the above objectives. As such the Trustee has also implemented the following measures:

- The Trustee have set the balance between equities, bonds and alternative assets that will lead to a level of expected annual volatility in the funding level that is within a tolerable range.

- The Trustee have regular dialogue with the Principal Employer.
- The assets are divided between a number of active investment managers. This reduces the risk associated with one manager having responsibility for all of the Scheme's assets.
- The bond assets may include investments in tailored liability matching arrangements which help mitigate the impact on the funding position of changes in long-term interest rates, inflation and real interest rates.
- The Trustee may use derivative contracts to help reduce the investment risk outlined above or implement decisions more efficiently than would be possible through physical assets alone. Derivatives will not be used for short-term speculative purposes.

10. Investment Manager Structure

The Trustee has delegated day-to-day investment decisions to external managers. The investment management arrangements are monitored by the Trustee.

Full details of the manager structure are provided in the IPID (and the IPID Appendix).

Specialist Management

Having taken advice, the Trustee believes that the asset allocation decision is a strategic decision and should not be adjusted tactically on a regular basis in an attempt to add value, although this does not prevent the Trustee investing into funds that themselves employ Tactical Asset Allocation as a strategy if appropriate. The Trustee generally believes that by appointing one or more specialist investment managers in each asset class, it can expect the Scheme to produce higher returns with greater diversification than it would obtain from balanced investment managers.

In addition, the Trustee believes that the risk of returns from overseas markets being affected through movements in currency markets can be minimised through the use of currency hedging using an overlay vehicle.

Having taken advice, the Trustee is satisfied that through the appointment of a global custodian and an investment adviser, it has adequate resources to institute and monitor a specialist management structure.

Active and Passive Management

Having taken advice, the Trustee has set benchmarks (where this is possible) for all of the specialist manager mandates. It is the Trustee's policy that, where appropriate, an investment manager will be appointed to seek, through active management of assets, to outperform the asset class benchmark set by the Trustee.

Having taken advice, the factors which the Trustee considers relevant to this decision are:

- 1) Market liquidity and transaction costs
- 2) The quality of the index as a representation of the asset class

- 3) The efficiency of the underlying market
- 4) The availability of skilled investment management
- 5) The likelihood of capturing investment management skill

Manager Diversification

The Trustee wishes to retain a relatively straightforward structure, without exposing the Scheme to too great a degree of manager specific risk. The Trustee believes that the current investment manager arrangements represent a satisfactory degree of diversification.

The global custodian selection and review process is analogous to that of the manager selection and review process outlined below.

Investment Manager Selection

The Trustee's process for appointing managers is as follows:

- 1) Identify mandate to be awarded including benchmark and outperformance target.
- 2) Request Investment Adviser to produce list of recommended candidates.
- 3) Review Investment Adviser's recommendations, including where possible:
 - a) detailed description of organisation, relevant individuals, investment process;
 - b) past performance of representative portfolios against benchmark;
 - c) screening of portfolio structure against benchmark;
 - d) suitable combinations of investment managers.
- 4) Interview short-listed candidates (if deemed appropriate) and make provisional selection.
- 5) Negotiate and agree investment management agreements including: fee structure, permitted and prohibited securities, benchmark, outperformance target and tolerance for underperformance.
- 6) Appoint investment manager(s) on the agreed terms and conditions.

Quantitative assessment of the Investment Managers

The Custodian, Investment Managers and the Investment Adviser provide quarterly investment reports to the Trustee including:

- Performance of the Scheme's investments relative to target performance over various historic periods, including Benchmark returns; and
- A valuation of all investments held for the Scheme at prevailing market value on the last day of the quarter.

In addition, the Investment Adviser provides regular reporting on the Scheme's performance relative to its liabilities and any supplementary information as requested by the Trustee.

The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the investment managers over the long-term.

Qualitative assessment of the Investment Managers

The Trustee retains the Investment Adviser to provide further assistance in monitoring the Investment Managers.

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their Investment Adviser.

The Trustee receives regular reports and verbal updates from its Investment Adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio.

11. Additional Assets

Assets in respect of members' Additional Voluntary Contributions are invested across a range of providers. With the assistance of the Scheme's Investment Adviser, the AVC arrangements are reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members. Details of the providers which members of each Section can currently invest in can be found in Section 5 of the IPID.

12. Compliance with this Statement

The Trustee will monitor compliance with this Statement annually. The Investment Managers have been provided with copies of this Statement when requested, as required in the Pensions Act 1995. The Trustee undertake to advise the Investment Managers promptly and in writing of any material changes to this Statement.

13. Review of this Statement

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 and the Principal Employer which they judge to have a bearing on the stated investment policy. This review will occur no less frequently than triennially to coincide with the Actuarial Valuation. Any such review will again be based on written expert advice and will be in consultation with the Principal Employer.

A copy of the main body of this Statement can be made available for the Investment Managers, the Custodian, and the Principal Employer at their request.