John Graham (Dromore) Limited Pension and Life Assurance Scheme

Statement of Investment Principles

as required by the Pensions Act 1995 and the Pension Act 2004

October 2022

The Trustees confirm that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustees have considered written advice from the Investment Advisor prior to the preparation of this Statement and have consulted John Graham Construction Limited, the Principal Employer, before agreeing this Statement and the investment strategy outlined in this document.

All day to day investment management decisions have been delegated to the Investment Managers, where the Investment Managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify and any self-investment.

This Statement of Investment Principles will be reviewed at least every three years, or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate, and following consultation with the Principal Employer.

1. General

This statement sets out the principles governing decisions about the investment of the assets of the John Graham (Dromore) Limited Pension and Life Assurance Scheme (the "Scheme"). It has been prepared on behalf of the Scheme trustees (the "Trustees") to comply with Section 35 of the Pensions Act 1995 (the "Act") as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustees will review the Scheme's investment strategy every three years, following each formal actuarial valuation of the Scheme, or more frequently should the circumstances of the Scheme change in a material way.

2. Consulted Parties

As required under the Act, the Trustees have consulted a suitably qualified person in obtaining written advice on the suitability of the investments, the need for diversification and the principles contained in this Statement.

The Trustees, in preparing this Statement, have also consulted John Graham Construction Limited, the Principal Employer (the "Company"), on the Trustees' objectives and investment strategy.

3. Investment Powers

The Trustees recognise that the assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries. The Trustees have overall responsibility for the prudent management of the Scheme's assets. The strategic management of the Scheme assets is fundamentally the responsibility of the Trustees, acting on advice its investment advisor, and is driven by its investment objectives as set out in Point 4 below.

4. Investment Objective

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.

In setting the investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy, while maintaining a prudent approach to meeting the Scheme's liabilities.

5. Investment Guidelines

The Trustees have the following target investment allocation for the Scheme.

Manager	Fund	%
LGIM	All-World Equity Index Fund (GBP Hedged)	7.5
LGIM	Over 15 Year Gilts Index Fund	37.5
LGIM	Buy and Maintain Credit Fund	44.0
LGIM	All Stocks Index-Linked Gilt Index Fund	11.0
Total		**100.0**

The Trustees are satisfied that the asset allocation, as detailed above, provides adequate diversification to the portfolio. It also aims to hedge more than half of the Scheme's interest rate and inflation sensitivities.

6. Expected Return

In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

Over the long-term, the investment strategy is intended to deliver a return that will allow sufficient asset growth such that, in combination with the agreed schedule of contributions from the Company, the technical provisions can be met.

7. Arrangements with Investment Manager

Investment Manager

The day-to-day management of the Scheme's assets is delegated to Legal and General Investment Management ("LGIM" or the "Investment Manager").

The Scheme's assets are invested in policies provided by Legal & General Assurance (Pensions Management) Limited where the management of the assets is undertaken by Legal & General Investment Management, who is authorised and regulated by the FCA.

Fees and charges

The fee arrangements agreed with the Investment Manager is based on assets under management and are not subject to any performance conditions. The Trustees review the fees charged by the Investment Manager on a regular basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Scheme's size and complexity.

The Trustees also review additional investment manager costs and charges (including portfolio turnover costs) on a regular basis, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustees monitor the portfolio turnover in the context of what the Trustees believe to be reasonable, given the nature of each mandate. By also monitoring performance and associated costs, the Investment Manager is incentivised to consider the impact of portfolio turnover on investment performance.

Where the Trustees invest in passively managed funds, these replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/seller of stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold, to minimise transaction costs.

Monitoring
In addition to performance measures, the Trustees will review the engagement activity of the investment manager to ensure that active engagement is taking place where possible to influence positive change in relation to Environmental, Social and Governance factors, including climate change (together referred to as "ESG factors") within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their policy on ESG detailed in Section 9 below.

The Trustees believe that along with the Investment Manager's stewardship policies, which are detailed in Section 9 of this document, the objectives of the funds are aligned with the medium and long term views of the Trustees.

If the Trustees believe that the Scheme's Investment Manager is no longer acting in accordance with the Trustees' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustees' policies and views.

These statements are made noting that the Scheme's assets are invested in pooled funds and as such, the Trustees are restricted in their ability to directly influence its Investment Manager on the ESG policies and practices of the companies in which the pooled funds invest. The remuneration of the Investment Manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and replace an investment manager if net of fees investment performance and ESG practices are not in line with the Trustees' expectations and views.

The Trustees believe that these steps will incentivise the Investment Manager to align its actions with the Trustees' policies and also for them to act responsibly.

Duration of investment arrangements

The Trustees, with guidance from its Investment Advisor, have chosen to invest in open-ended pooled funds. For these funds, the Trustees' policy is to enter arrangements with no fixed end date. However, the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open ended investments are weekly dealt. The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of the Investment Manager's performance against objectives. The Trustees may also elect to terminate the arrangement with the Investment Manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

8. Risks

In determining its investment policy, the Trustees have considered the following risks:

- *funding or asset and liability mismatch risk* – the Trustees address this through the asset allocation strategy and through regular actuarial and investment reviews;
- *underperformance risk* – this is addressed through monitoring the performance of the Investment Manager and taking necessary action when this is not satisfactory;
- *risk of inadequate diversification or inappropriate investment* – the Trustees address this by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector;
- *sponsor risk* – the Trustees seek to maximise overall investment returns subject to an acceptable level of risk and, as far as possible, is mindful of the impact of any volatility on the rate of contribution;
- *liquidity risk* – the Trustees may need to pay pension and lump sum benefits in the short-term and, therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short notice;
- *credit and market risks* – the Trustees accept a degree of each of these risks in the expectation of being rewarded by excess returns. Exposure to more volatile assets such as equities is minimised to the extent possible;
- *environmental, social and governance (ESG) factors* – the Trustees acknowledge that ESG factors can have a financially material impact on the future returns on its investments and the Trustees' actions to mitigate these is detailed in Section 9; and
- *non-financial risks* – the Trustees have not taken these into account when deciding the choice of the Scheme's investments.

The Trustees will monitor these risks from time to time, particularly those deemed to have high likelihood or significant adverse impact, and will look to introduce further control measures as appropriate to contain the overall level and distribution of risks to within acceptable limits.

9. Environmental, social and governance (ESG) policies and stewardship

Trustees' decision making and delegation

The Investment Manager is responsible for managing the Scheme's investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager.

The Trustees are responsible for setting the Scheme's investment strategy and implementing that strategy through appointing investment managers and selecting investment funds. When setting investment strategy and selecting investments, the Trustees' first priority is the financial interests of their members. The Trustees regularly review the return objectives, risk characteristics, investment approach and investment guidelines of the Scheme's current investment mandates. The Trustees are satisfied that the existing mandates fulfil the needs of their target investment strategy and by extension, that the Scheme's Investment Manager is managing the Scheme's assets in a manner which is consistent with members' financial interests.

The Trustees acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved.

Voting and engagement

The Trustees expect the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

The Trustees expect the Scheme's Investment Manager to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustees will review this on an annual basis in line with its monitoring policy.

Monitoring of ESG factors and engagement

The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Scheme's Investment Manager is regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures, and also engagement activity and compliance with the Trustees' stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise the Scheme's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial. The Trustees' policy is not to take into account non-financial matters in the selection, retention and realisation of investments. Therefore, no consideration has been given to non-financial matters, nor has the Scheme's membership been consulted on such issues.

The Trustees also recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against its ESG policy to ensure that the Scheme's assets are being managed appropriately. The Trustees believe that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the Investment Manager.

In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to its views on ESG.

Where the Scheme's assets are invested in government bonds (gilts), the nature of these assets dictate that the ESG factors are less likely to be financially material. However, the Trustees have confidence that the LGIM management team has adequate governance practices in place to capture key regulatory developments which might influence the future management or performance of these assets.

10. Governance

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions and delegate others. When deciding which decisions to take itself and which to delegate, the Trustees have taken into account whether they have the appropriate training and knowledge to make an informed decision. The Trustees have established the following decision-making structure:

Trustees • Select and monitor planned asset allocation strategy; • Select and monitor investment advisors and investment managers; • Select and monitor any direct investments; • Responsible for all aspects of the investments of the Scheme's assets, including ESG considerations and implementation.
Investment Advisor • Advises on this statement; • Advises the Trustees on areas of strategy, manager selection, ESG and implementation as required; • Provides required training when engaged on a separate basis by the Trustees.
Investment Manager • Day to day management of the Scheme's assets. Operate in line with written agreements with the Trustees, which the Trustees believe are consistent with the terms of the SIP; • Manages in accordance with the agreement, including decisions around the selection and retention of underlying investments; • Is responsible for the stewardship of underlying investments.

When deciding whether or not to allocate money to any new investment manager, the Trustees will obtain written advice from the Investment Advisor. The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement.

The Trustees recognise that, where the Scheme is invested in pooled funds, there is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds.

The Trustees expect the Investment Manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

11. Compliance with this Statement

The Trustees will monitor compliance with this Statement of Investment Principles on a regular basis. The Trustees will review the Statement at least every three years and in response to any material change to any aspects of the Scheme.

October 2022

For and behalf of the Trustees of the John Graham (Dromore) Limited Pension and Life Assurance Scheme.