Higgins Group PLC Pension and Life Assurance Scheme

Statement of Investment Principles – DB and DC Sections

Introduction

This is the Statement of Investment Principles (the “Statement”) made by the Trustees of the Higgins Group PLC Pension and Life Assurance Scheme (“the Scheme”) in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee in September 2020, is subject to periodic review 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 sponsor of the Scheme and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Scheme comprises a Final Salary (Defined Benefit) Section and a Money Purchase (Defined Contribution) Section. The Money Purchase Section was closed on 1 September 2008 and the Final Salary Section was closed to further service accrual with effect from 30 April 2010.

The Trustees are aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

The Trustees are supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustees expect investment managers to comply with the Code and to produce a statement of their commitment to the Code.

Defined Benefit Section

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustees’ over-riding funding principles for the Scheme are to set the employer contribution at a level which is sufficient:

- To build up assets to take account of future increases to current benefits (accrued and when in payment) in accordance with the Scheme Rules;
- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For employee members, benefits are based on service completed up to 30 April 2010, and take account of future revaluation in accordance with statutory requirements. The value of liabilities is calculated on the basis agreed by the Trustees and the Scheme Actuary; the Trustees also consider the Scheme's funding position on a basis based on bond returns (with an appropriate allowance for actual investment strategy to produce returns above those on bonds). These funding positions are monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

In addition, the Trustees aim to ensure that, at any point in time, the assets of the Scheme (at their realisable value) are sufficient to cover 100% of the liabilities in respect of pensions in payment, deferred pensions, and liabilities in respect of the completed service of employee members, assuming they were to leave service at the date of the test. For this purpose, the liabilities will be calculated on the basis described in the Statement of Funding Principles.

Investment strategy

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the DB section. All day to day investment decisions have been delegated to three investment managers, Legal & General Assurance (Pensions Management) Limited ("L&G"), SEI Investments (Europe) Limited ("SEI") and the Newton Group ("Newton"). All the managers are authorised under the Financial Service and Markets Act 2000. The current target benchmark for the Scheme is set out in Appendix A. This is in line with the Trustees' views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the DB section (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing basis). The Trustees monitor fund performance for each manager relative to their agreed benchmarks.

The strategic benchmark is reflected in the benchmarks given to individual investment managers which, in aggregate, are consistent with the overall strategy.

The Trustees monitor strategy relative to their agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, and will normally be reviewed annually. Written advice is received as required from professional advisers.

The Trustees monitor the performance of Scheme investments relative to agreed criteria (benchmarks) on a regular basis.

Choosing investments

The Trustees, after taking appropriate investment advice, have given the investment managers specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. The guidelines include control ranges (where appropriate) for each asset class.

The investment managers are allowed full discretion over the choice of stocks subject to their benchmarks and other guidelines and are expected to maintain diversified portfolios.

The Trustees invest in a number of individual pooled funds. The Trustees are satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustees periodically review the fees paid to all of its managers against industry standards.

The Trustees review the nature of Scheme investments and manager arrangements on a regular basis, with particular reference to suitability and diversification. The Trustees seek and consider written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Trustees is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Trustees recognise the long-term nature of the Scheme's liability profile and appoints its managers to invest in such a way that generates long-term sustainable returns. The Trustees will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustees at the inception of each mandate. For open-ended investments, the Trustees generally engage managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustees expect the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Kinds of investment to be held

The DB Section of the Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index-linked bonds, property, cash and commodities, through pooled funds.

The DB Section of the Scheme may also make use of contracts of insurance, derivatives and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustees consider all of these classes of investment to be suitable in the circumstances of the DB Section of the Scheme.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets.

The Newton and SEI funds also consist of diversified portfolios of investments, but these are managed on an active basis, which reflect their views relative to their respective benchmark.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the (past service) liabilities. It includes the risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.

- Changing demographics –The risk that longevity improves, and other demographic factors change, increasing the cost of the Scheme benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Scheme’s liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustees measure and manage financial mismatch in two ways. As indicated above, the Trustees have set a strategic asset allocation benchmark for the Scheme. The Trustees assess risk relative to that benchmark by monitoring the Scheme’s asset allocation and investment returns relative to the benchmark. The Trustees also assess risk relative to liabilities by monitoring the delivery of returns relative to liabilities.

The Trustees keep mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations and the Trustees may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

The Trustees seek to mitigate systemic risks through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that the currency of the Scheme’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees manage asset risks as follows:

- The Trustees provide a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters.

- The Trustees have set a strategic asset allocation benchmark for the Scheme. The Trustees assess risk relative to that benchmark by monitoring the Scheme’s asset allocation and investment returns relative to the benchmark.

- The Trustees also assess risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

By investing across a range of assets, including quoted equities, bonds (and possibly in the future bulk annuity policies), the Trustees recognise the need to access funds in the short term to pay benefits. The risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio.

In appointing several investment managers, the Trustees have considered the risk of underperformance by any single investment manager.

L&G manages assets on a passive basis, and therefore manager risk for these assets is low. SEI and Newton take an active management approach which also involves an element of manager risk. The Trustees feel that as this element of the assets is split between two different managers with different styles, a higher level of manager risk is acceptable as it is expected to be compensated by additional returns.

The Trustees do not expect managers to take excess short-term risk and will regularly monitor the active managers' performance against their benchmarks and objectives set on a short, medium and long terms basis.

The Scheme's assets also include a small annuity contract, which helps reduce liquidity risk as it provides a regular income. It also provides a hedge against interest rate and inflation changes, as well as providing protection against longevity improvement for the member it is supporting.

In the event of Scheme insolvency, the asset can be re-distributed in accordance with legal requirements applying to a solvency event.

The Trustees' approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk - The risk of loss of Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.

Expected return on investments

The investment strategy aims to achieve a return on the DB Section of the Scheme's assets which, taken in conjunction with contributions, is sufficient over time to match growth in the DB Section of the Scheme's pension liabilities.

Realisation of investments

The majority of assets held within all of the managers' pooled funds are held in investments which are quoted on major securities markets and may be realised quickly if required. L&G provide a weekly dealing facility in the Scheme's fund investments, whilst Newton and SEI allow daily dealing in most of their funds.

Portfolio turnover

The Trustees have expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustees' knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expect managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustees will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive (i.e. relative to the previous year's level). The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustees have explicitly acknowledged the relevance of climate change and ESG factors in their investments and reflected in the principles set out below and the broader implementation of strategy.

Strategic considerations

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustees will discuss the potential impact of climate change with their Scheme Actuary as part of triennial actuarial valuations and will reflect the inherent uncertainties in their choice of funding assumptions. The Trustees periodically discuss climate change with their investment adviser/investment managers to consider the potential implications for the Scheme's investments.

The Trustees recognise that the long-term nature of the Scheme means that investments should be made with the expectation of long-term sustainable returns. The Trustees acknowledge the relevance of climate change and the potential risk it can have on certain investments in the future.

Structural considerations

Given the discretion afforded to the active investment managers, the Trustees expect that their investment managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting investment managers

Within active mandates, the Trustees have delegated responsibility for the consideration of stock specific issues to their individual investment managers. The Trustees discuss the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of their investment managers and the Trustees are satisfied that the investment managers are following an approach which takes account of all financially material factors.

In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believes this will deliver appropriate risk adjusted returns. The Trustees will review the index benchmarks employed for the Scheme on at least a triennial basis.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustees explicitly consider potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

The Trustees accept that ESG matters and Stewardship activity can be relevant to different stakeholders to the Scheme.

The Trustees will disclose relevant information in relation to ESG and Stewardship with key stakeholders, as requested from time to time.

Voting and engagement

The Trustees have adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustees have reviewed the voting policies of their investment managers and determined that these policies are appropriate. On an annual basis, the Trustees will request their investment managers provide details of any change in their house policy.

Where appropriate, the Trustees will engage with and may seek further information from their investment managers on how portfolios may be affected by a particular issue.

The Trustees do not engage directly but believe it is sometimes appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustees will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

The investment managers should use engagement with company management for positive influence as opposed to divestment from companies unaligned with the Scheme's objectives.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustees expect the managers to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustees separately consider any conflicts of interest arising in the management of the Scheme and its investments and have ensured that each manager has an appropriate conflicts of interest policy in place. Managers are required to disclose any potential or actual conflict of interest to the Trustee.

Monitoring

Investment managers report on voting activity to the Trustee on a periodic basis. The Trustees will monitor investment managers voting activity and may periodically review managers voting patterns. The Trustees may also monitor investment managers' voting on particular companies or issues affecting more than one company.

The Trustees review manager voting activity on an annual basis in conjunction with their investment adviser and use this information as a basis for discussion with their investment managers. Where the Trustees deem it appropriate, any issues of concern will be raised with their manager for further explanation.

The Trustees aim to meet with their investment managers on an annual basis. The Trustees provide their managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. Managers are challenged both directly by the Trustees and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Additional Voluntary Contributions (AVCs)

In the past, the Scheme has offered members the opportunity to pay AVCs which are then invested with the Prudential Corporation ("Prudential"). The payment of further contributions or the option to transfer in DC benefits from other pension arrangements, is possible at the discretion of the Trustees. Note: If transfers-in are allowed at the time of retirement, the amount received will be invested in the Trustees' bank account.

A benefit statement is provided to members annually which sets out the fund choice, value of the members' fund, any contributions paid into the Scheme since the previous statement, and an estimate of the projected level of retirement benefits payable to the member based on statutory principles (regarding such matters as future investment returns and annuity prices). The production of this benefit statement is carried out by Prudential, who also hold a complete record of the member's contributions and other relevant data.

Defined Contribution Section

The Scheme also has a Defined Contribution (DC) Section. Members of this section of the Scheme have not built up a final salary section benefit. Instead, all Scheme benefits are provided on a money purchase basis, whereby the value of the fund is used to provide a lump sum and pension at retirement, or may be transferred to another pension arrangement in order that the member has a further range of options for drawing their pension.   All contributions are invested with Prudential.

This Section is now closed to both new members and future contributions. It is very similar to the AVCs, except:

- Contributions will have been paid by both the Employer and the member; and
- Administration, including the provision of an annual statement, is carried out by the Scheme's administrator

Range of DC and AVC funds – member choice

All DC and AVC funds are managed separately from the main Scheme assets and therefore do not adopt the strategy that is used for the main portfolio. As a DC fund, it is important that the fund(s) are appropriate in relation to members' needs, the degree of their investment knowledge, and the time horizon for their investment in relation to taking retirement benefits (for both members of the DC section and AVC payers).

The Trustees will periodically review whether to offer members a different choice of funds that they can invest in. As there are no future contributions, a change of the member's investment fund would take the form of an "internal" transfer where the assets remain under the Scheme's trust but move to another fund or fund manager. In the event that a range of funds is not offered, members retain an option to transfer their DC fund out of the Scheme in order that they may access a full range of funds offered by a suitable provider.

The Trustees will review the investment options separately from the main portfolio, to ensure that the options remain appropriate for DC members. A review may also be carried out when there are significant changes which would justify a review such as a change to pension regulations.

A review would include: performance against objectives, member security, value for money, information provided to members, suitability for retirement savings over the duration of the investment, where the manager is an insurance company – a general review of their financial strength, plus any other matters which are identified within the Trustees' risk register.

Under current regulations, members may now transfer their DC benefit separately from their final salary benefit. This will give DC and AVC members the potential to access a wider range of options either for investment or if the member wants to take control of the means of receipt of their benefit, e.g. drawing pension from their fund as a series of lump sums.

Default DC strategy

As the DC Section is now closed to both new members and future contributions, the current default fund offered to members is the Prudential With Profit Investment Account. In addition, the majority of AVC payers use a With Profit Cash Accumulation fund. Under these types of funds, the insurer provides a level of guaranteed bonus, but may also declare additional bonuses from time to time. The value of the member's fund is typically guaranteed in the event of retirement (when the fund is used to secure a retirement benefit) or death before retirement.

This choice of fund requires that the Trustees must have regard to the underlying investments of the With Profit fund, and also the conditions or restrictions that lead to a market adjustment (reduction applied to the fund on early transfer) or the application of final or terminal bonus (additional payment added to the fund at retirement when performance has been better than declared).

Reasons for having a default option

The Scheme has a default option because:

- It is believed that a significant proportion of the membership are either unengaged in or unable to decide where their DC pot should be invested;
- A significant proportion of the membership is expected to have broadly similar investment needs;
- The Trustees believe that the presence of an effective default option will help deliver good outcomes for members at and into retirement.

In choosing what is felt to be an appropriate default, the Trustees have taken into account a number of factors including the likely return on investments after the deduction of charges.

Objectives of the default option

The main objective of the default option is to provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.

The Trustees believe that a With Profit Fund is an appropriate default option. The principal objectives of the Fund are:

- To manage the principal investment risks faced by an average member during their membership of the Scheme;
- To offer competitive long-term real returns whilst smoothing the peaks and troughs of day to day market movements. Investment returns are via bonuses. The fund is invested in a portfolio of UK and overseas shares, bonds, property and cash. The fund is actively managed to optimise the returns whilst controlling risk.

Risks

Principal investment risks

The Trustees believe that the three principal investment risks most DC members will face are:

1) Inflation risk – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

2) Benefit conversion risk – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

3) Volatility/Market risk – falls in fund values prior to retirement lead to a reduction in retirement benefits.

In order to manage these risks, the default fund is the Prudential With Profit Investment Account.

Other investment risks

The Trustees believe that other investment risks members may face include within the With Profit Investment Account are as follows:

Active management risk – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of investments in bonds will be affected by changes in interest rates.

Default risk – for bond investments (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Liquidity risk – investments which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

Market risks - shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Legislative/Regulatory - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

The Trustees believe that these risks are being managed on behalf of members by Prudential within the With Profit Investment Account

Choosing investments

The fund in which members invest is a pooled fund, which the Trustees believe is appropriate given the size and nature of the DC Section. The manager is given full discretion over the choice of individual stocks. The Trustees are satisfied that the assets held in the fund are suitable in relation to the needs of the members.

Kinds of investment to be held

The investment manager may invest in UK and overseas equities, UK and overseas corporate bonds, UK and overseas government bonds (fixed interest and inflation linked), infrastructure, property, commodities, private equity and cash.

Managing risks

Principal investment risks

The With Profit Investment Account manages the three main investment risks during a member's lifetime. The fund is expected to meet the investment needs of a majority of members.

Other investment risks

The Trustees acknowledge the relevance of climate change and the potential risk it can have on certain investments in the future. At this time, the Trustees have not made explicit allowance for climate change within the development or implementation of the With Profit Investment Account. The Trustees discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will monitor developments in this area.

Financially material considerations

The Trustees recognise that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options. The Trustees delegate this role to Prudential in the active management of the With Profit Investment Account.

Non-financial factors

Given the objectives of the Scheme, the Trustees do not impose any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with the fund manager and the monitoring of compliance with agreed policies.

Members' financial interests

The Trustees expect that the fund managers will have the members' financial interests as their first priority when choosing investments.

Voting and engagement

The Trustees believe that engagement with the companies in which the With Profit Investment Account invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Scheme's investments. Given the nature of the With Profit Investment Account, the Trustees have delegated this role to Prudential. While the Trustees are not in a position to engage directly, the Trustees believe it is appropriate to actively encourage the fund manager to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustees will request, where appropriate and practicable, that the investment manager notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement.

Monitoring

The Trustees expect the investment manage to adhere to stated voting and engagement policies. The Trustees will request reports on the fund managers' voting activity on a periodic basis. The Trustees review the fund managers' voting activity at least annually in conjunction with their investment adviser and use this information as a basis for discussion with the fund manager. Where the Trustees deem it appropriate, any issues of concern will be raised with the manager for further explanation.

DC governance

The Trustees will apply investment principles as far as they remain relevant and proportionate to the Scheme's DC investment fund(s). The Trustees will also prepare an annual governance statement, prepared by the Chairman, except when the Scheme is exempt from the legal requirement to do so. The DC and AVC funds were reviewed against the Pension Regulator's 31 quality features by the Trustees in November 2015. Although it was acknowledged that there was only one fund available for the DC Section, this was considered satisfactory given the small size of assets and number of members and the fact that members have not been able to make contributions since 2008.

Signed for and on behalf of the Trustees of the Higgins Group PLC Pension and Life Assurance Scheme

Trustee	Date

Signed for and on behalf of Higgins Group PLC

Employer	Date

APPENDIX A – DEFINED BENEFIT SECTION INVESTMENT ARRANGEMENTS

SEI

The Scheme's assets are invested approximately 65% with SEI as follows:

Fund	Approx. split (%)	Benchmark Index
SEI UK Equity Strategy	20	FTSE All-Share Index
SEI Dynamic Asset Allocation	10	Dynamic asset index
SEI Global Select Equity	16	MSCI World Index
SEI Global Managed Volatility	26	MSCI World Index
SEI US Small Companies Equity	3	Russell 2500 Index
SEI Pan Europe Small Cap Equity	3	MSCI Europe Small Cap Index
SEI Emerging Markets Equity	5	MSCI Emerging Markets Equity Index
SEI Emerging Markets Debt	7	50% JPM EMBI Global Diversified Index 50% JPM GBI-EM Global Diversified Index
SEI High Yield Fixed Income	7	Merrill Lynch US High Yield Master II Constrained Index (100% GBP hedged)
SEI Offshore Opportunity Fund II	3	ML 3 Month Constant Maturity LIBOR (100% GBP hedged)

L&G

The Trustees' target is to invest approximately 18% of the Scheme's assets with L&G as follows:

Fund	Target Benchmark (%)	Benchmark Index
Investment Grade Corporate Bond Over 15 Year Index	45.0	Markit iBoxx GBP Non-Gilts 15 Year +
LDI Matching Core Fixed Long fund	55.0	Markit iBoxx - Fixed Long
LDI Matching Core Real Short fund		Markit iBoxx - Fixed Short
LDI Matching Core Real Long fund		Markit iBoxx - Fixed Long

Newton

The Trustees' target is to invest approximately 15% of the Scheme's assets in the Newton Real Return Fund. This fund's target is to outperform 1 month LIBOR by 4% per annum over rolling 5 years before fees.

NOTES: The asset allocations between the managers are not rebalanced. Around 2% of the Scheme's assets are invested with Aviva in an annuity contract.

APPENDIX B – DEFINED CONTRIBUTION SECTION INVESTMENT ARRANGEMENTS

AVCs

Prudential Cash Accumulation (With Profit) Fund

Aberdeen Life North American Equity* (current value is now zero)

Prudential Corporate Bond*

Prudential Discretionary*

Prudential International Equity*

Prudential Pre Retirement*

Prudential Property*

*Annual management charges are typically in the range 0.6% to 0.75% per annum and levied by cancelling member units to the relevant value.

DEFINED CONTRIBUTION SECTION

Prudential With Profit Investment Account

Annual regular bonus: 2.25% (at April 2015)

Annual management charge: 0.65% per annum