



Higgins Group Plc

Pension and Life Assurance Scheme



	Page
Higgins Group Plc Pension and Life Assurance Scheme Annual statement by the Chair of the Trustees for the year to 30 April 2021	3
Higgins Group Plc Pension and Life Assurance Scheme – DB Section Implementation Statement for the year ending 30 April 2021	34
Higgins Group Plc Pension and Life Assurance Scheme – DC Section Implementation Statement for the year ending 30 April 2021	44

Higgins Group Plc Pension and Life Assurance Scheme

Annual statement by the Chair of the Trustees for the year to 30 April 2021

What is this Statement for?

It's important that you can feel confident that your savings in the Scheme ("the Scheme") are being looked after and give good value.

This Statement sets out how the Trustees have managed the Scheme in the last year and what they aim to do in the coming year.

What's in this Statement?

We've included information on the following areas in this Statement:

- 1 How we manage your Scheme – who the Trustees are and what guides our decision making.
- 2 Investment options – what we have done to check the performance and suitability of the Scheme's investment options, especially those used by members who don't want to make an investment choice (known as the "default arrangement").
- 3 Investment performance - what returns have the investment options given over the last year.
- 4 Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time.
- 5 Value for Members – how the quality of the Scheme's services (including the investment returns on your savings) which you pay for compare to other pension schemes.
- 6 Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed.
- 7 Trustee knowledge – what we as Trustees have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you.
- 8 Our plans for the next year – what key actions the Trustees took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

We can confirm to you that:

1 **How we manage your Scheme**

There have been no changes to the Trustees in the last year.

The Statement of Investment Principles, which sets out the Trustees' policies on how your contributions should be invested, was updated in September 2020.

2 **Investment options**

We're satisfied that the default arrangement has performed in-line with our objectives and remains suitable for most members because there has not been a significant change in the Scheme's membership or members' benefit choices at retirement.

There have been no changes to the investment options in the last year.

3 Cost and charges

You pay for the Scheme's investment management while the Company pays for part or all of the Scheme's administration, communications and governance.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges for the "default arrangement" are deducted from the overall fund before bonus rates are set for all policyholders. There is currently an implicit member-borne charge which is made through the declared bonus of approximately 0.65% p.a. of the fund value, additional expenses in the year to 30 April 2021 were 0.20%. (source: Prudential) In addition, there is an explicit scheme charge which is paid by the Company of £500 p.a.

We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. Over a 25-year period, the current level of costs and charges for the Scheme's default arrangement could reduce the size of a pension pot from £50,795 to £41,454.64 at age 65 (assuming the initial fund amount was £15,000).

4 Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Scheme gives good value in the last year. Over the next year our main priority is to maintain this value – see section 8 for more details.

5 Administration

We check that the administration of the Scheme is going smoothly at our half-yearly meetings and found that:

- all the key financial transactions were processed promptly and accurately by Hymans Robertson; and
- the wider administration of the Scheme was completed within the service standards we agreed with Hymans Robertson.

The Covid19 coronavirus pandemic inevitably affected the Scheme from March 2020, while:

- Hymans Robertson arranged for most of its staff to work from home and dealt with increases in staff absences; and
- there were delays in getting some funds' unit prices because the prices of investments were fluctuating more than normal.

6 Trustee knowledge

It's important that we as Trustees keep our knowledge of pension and investment matters up to date and have access to sound professional advice. All of the Trustees attended training sessions during the year and received updates on current issues – see section 6 for more details.

There have been no changes to the Trustees' advisers during the year.

Overall, the Trustees believe that they have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly.

7 Our plans for the next year

During the last year the Trustees undertook the following (over and above "business as usual"):

- reviewed and updated their Statement of Investment Principles;

- Agreed objectives for their investment advisor as per CMA requirements;
- updated the annual training plan; and
- reviewed and updated the risk register.

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following:

- review the default arrangement to ensure it remains suitable for the membership;
- continue to regularly review funds and monitor performance;
- review the early termination penalty applicable to the With-Profits fund;
- update the annual training plan; and
- review and update the risk register.

The Trustees believe that this work will help you get the best out of our Scheme.

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Scheme in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions on its contents, please contact Hymans Robertson on 0121 210 4330 or Mike Smith at Chase De Vere on 0116 271 9082.

Introduction

Governance requirements apply to defined contribution (“DC”) pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustees are required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 1 May 2020 to 30 April 2021.

For the record

This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879); and

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233).

_____ Date: _____

Richard Higgins

Signed by the Chair of Trustees of the Higgins Group Plc Pension and Life Assurance Scheme

1 How we manage your Scheme

At 30 April 2021, the Trustees of the Scheme were:

- Mr R.G. Higgins
- Mr M. Francis
- Mr A.M. Board

The Statement of Investment Principles sets out the Trustees’ investment policies which the Trustees, with the help of their advisers, review at least every three years. The last review was carried out in September 2020.

2 Investment options

Default arrangement

The Scheme’s default arrangement, the Prudential With-Profits Investment Account. The Scheme only offers one fund which members were automatically invested into. There have been no new members or contributions paid into the fund since 2008.

The main investment objectives for the default arrangement are in outline:

- to manage the principal investment risks faced by an average member during their membership of the Scheme; and

- 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 returns whilst controlling risk.

The Statement of Investment Principles covering the default arrangement is appended to this Statement. Please note that the Statement of Investment Principles covers all the Scheme's investments – the principles guiding the design of the default arrangement are set out on pages 8 to 10.

The Trustees believe that the default arrangement is appropriate for the majority of the Scheme's members because:

- it manages the main investment risks members' face during their membership of the Scheme;
- it is expected to give good member outcomes at retirement, defined in terms of members achieving their target replacement income, by maximising investment returns relative to inflation while taking an appropriate level of risk for the majority of members who do not make investment choices;
- Reflects members' likely benefit choices at retirement. A significant proportion the membership is expected to have broadly similar investment needs; and
- the Trustees believe that the presence of an effective default option will help deliver good outcomes for members at and into retirement.

The Trustees regularly monitor the investment performance of the default arrangement and formally review both the investment performance against the default arrangement objectives and the suitability of the investment strategy.

A full review of the performance and suitability of the default arrangement was conducted in 2016. It is intended that the next full review will take place by September 2022 or immediately following any significant change in investment policy or the Scheme's member profile. The Trustees have not felt that a full review was appropriate because there have been no new members or contributions since 2008 and no significant changes to the membership. Furthermore, because the fund is a With-Profits fund, it would be difficult to move out of to another arrangement and potentially detrimental to members.

The Trustees are satisfied that the default arrangement remains appropriate for the majority of the Scheme's members because:

- its investment performance has been consistent with its investment objectives;
- its design continues to meet its principal investment objectives;
- the demographic profile of the membership has not changed materially;
- members' needs and likely benefit choices at retirement have not changed materially; and
- the market value reduction applied to members pots should they transfer to an alternative fund is too significant to justify encouragement of members changing their investment strategy.

As a result, there were no changes to the default arrangement as a result of this review.

3 Costs and charges

The charges and costs borne by members and the Company for the Scheme's services are:

Service	By members	Shared	By the Company
Investment management	✓ (All)		
Investment transactions	✓ (All)		
Administration		✓ (AVCs)	✓ (DC)
Governance			✓ (All)
Communications		✓ (AVCs)	✓ (DC)

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- the fund manager buys or sells part of a fund's portfolio of assets; or
- the platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

The transaction costs shown here do not include any costs members may incur from time to time when buying or selling units in the provider's funds caused by the fund manager's unit price for a fund moving from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors.

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's provider.

Default arrangements

The default arrangement is the Prudential With Profits Investment Account.

Default arrangement charges and transaction costs

The charges and transactions costs for With-Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. There is currently an implicit member-borne charge which is made through the declared bonus of approximately 0.65% p.a. of the fund value, additional expenses in the year to 30 April 2021 were 0.20% (source: Prudential). These additional expenses cover all of the costs of running the Scheme, including reserving for future bonus payments and transaction costs.

In addition, there is an explicit scheme charge which is paid by the Company of £500 p.a.

It should be noted that the implicit costs and charges for the With-Profits Fund cover the cost of guarantees and reserving as well as investment management and administration.

Due to the nature of a With-Profit fund, the provider can levy a penalty for early termination, with no such penalty on death or retirement. The charge is made to protect other members of the With-Profit fund from losing out where the termination value (including bonuses) would otherwise be higher than the real value of the underlying investments. These charges are set by the provider and are not within the control of the Trustees. Similarly, a charge would apply if the Trustees were to move the investment to another investment product or provider. On the counter side, additional (terminal) bonuses can be added when the value of the With-Profit fund would otherwise be lower than the value of the underlying investments. As a result, it is not possible to determine the exact charges and costs borne by members.

Charges and transaction costs for the investment options outside the default arrangement

Additional Voluntary Contributions (“AVCs”)

The Scheme offers members in the defined benefit section a choice of 6 funds for their AVCs.

During the year the charges for the AVC funds were in a range from 0.66% p.a. to 1.28% p.a. of the amount invested or, put another way, in a range from £6.60 to £12.80 per £1,000 invested.

The level of charges for each AVC fund and the transaction costs over the period covered by this Statement are:

Fund	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
Prudential All Stocks Corporate Bond	0.76%	£7.60	0.08%	£0.80
Prudential Discretionary	0.77%	£7.70	0.17%	£1.70
Prudential International Equity	0.77%	£7.70	0.23%	£2.30
Prudential Long Term Bond	0.66%	£6.60	0.15%	£1.50
Prudential With-Profits Cash Accumulation Fund	Charges for this fund depend on the performance of the With-Profits Fund, in particular the investment return and the investment manager's expenses. If, for example, over time investment returns are higher, then we would expect higher charges and if investment returns are lower, we would expect lower charges. The investment manager currently expects this charge to be 0.80% p.a., based			

	on the assumption that future investment returns from the fund are 5% p.a. This charge is deducted through the bonus mechanism.
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Source: Prudential. Transaction cost data is to 30 September 2020 as this is the most up to date information Prudential could provide at the time of writing. The Trustee will continue to work with their advisor to obtain up to date transaction costs.

Impact of costs and charges – illustration of charges and transaction costs

The Trustees have asked the Scheme’s adviser to illustrate the impact over time of the costs and charges borne by members.

The tables below show the potential impact over time of the costs and charges borne by members on projected values at retirement in today’s money for typical members over a range of ages. It shows these figures for:

- the default arrangement; as well as
- the AVC fund used by the greatest number of DB members the Prudential With-Profits Cash Accumulation Fund;
- together with a note of the assumptions used in calculating these illustrations.

Default Arrangement

Age	Years to retirement	Current DC pot size	Projected pot size at retirement – before costs and charges	Projected pot size at retirement – after costs and charges
64	1	£15,000.00	£15,750.00	£15,622.50
62	3	£15,000.00	£17,364.38	£16,946.07
60	5	£15,000.00	£19,144.22	£18,381.78
55	10	£15,000.00	£24,433.42	£22,526.00
50	15	£15,000.00	£31,183.92	£27,604.53
45	20	£15,000.00	£39,799.47	£33,828.03
40	25	£15,000.00	£50,795.32	£41,454.64
35	30	£15,000.00	£64,829.14	£50,800.68
30	35	£15,000.00	£82,740.23	£62,253.80

AVC Fund

Age	Years to retirement	Current DC pot size	Projected pot size at retirement – before costs and charges	Projected pot size at retirement – after costs and charges
64	1	£50,000.00	£52,500.00	£52,100.00
62	3	£50,000.00	£57,881.25	£56,568.30
60	5	£50,000.00	£63,814.08	£61,419.83
55	10	£50,000.00	£81,444.73	£75,447.91
50	15	£50,000.00	£103,946.41	£92,679.95

The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

As an example, for a member who joined the default arrangement at age 40, the level of charges and costs seen in the last year would reduce their projected pot value at retirement in today’s money from £50,795 to £41,454.64.

The assumptions used in these calculations were:

- no future contributions;
- the investment return allowing for inflation for the Prudential With-Profits Fund was 5.00% p.a.
- the rate of costs and charges remain constant; and
- the same assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that these illustrated values:

- are estimates using assumed rates of future investment returns and inflation;
- are not guaranteed;
- can depend upon how far members are from retirement; and
- may not prove to be a good indication of how your own savings might grow.

4 Value for Members

Each year the Trustees carry out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good value for members.

Value is not simply about low cost – the Trustees also consider the quality of the services which members pay for. With the help of their advisers the Trustees compare the charges and costs as well as the quality of the services against other similar schemes.

The Trustees adopted the following approach to assessing Value for Members during the last year:

Services – considered the investment, administration and communication services where members bear or share the costs

Outcomes – weighted each service according to its likely impact on outcomes for members at retirement

Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons

Rating – each service was rated on the following basis:

Definition	Rating
The Trustees consider the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.	Excellent
The Trustees consider the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.	Good

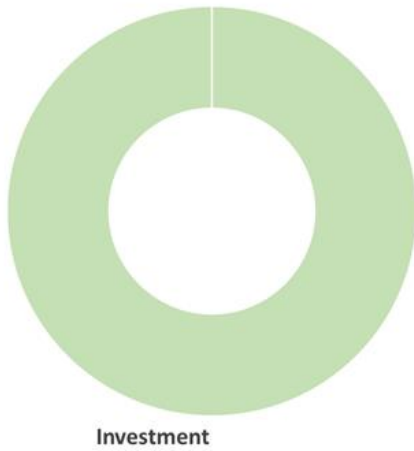
The Trustees consider the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.	Average
The Trustees consider the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.	Below average
The Trustees consider the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.	Poor

Results

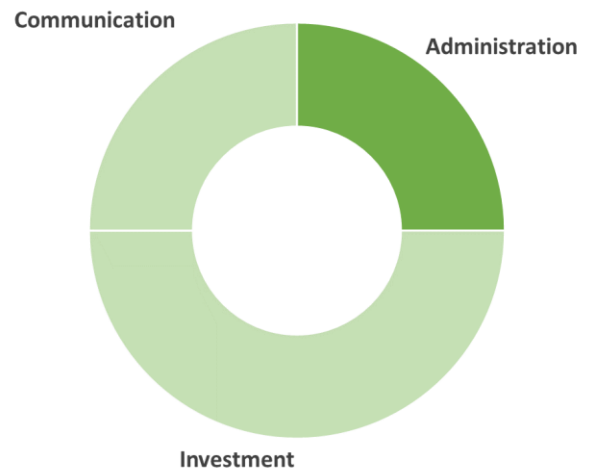
The rationale for the rating of each service was in outline:

Service and weighting	Rating	Rationale
Investment 100% for DC Section 50% for AVCs	Average	Providing suitable investment options that offer the best potential for good member outcomes, whilst minimising the charges incurred (fee drag) are important factors to members building up their pension and achieving a good outcome.
Administration 0% for DC section 25% for AVCs	Good	The efficient processing of core financial transactions, good record keeping and providing suitable quality administration support at an appropriate cost ensures members are informed and instructions carried out within appropriate timeframes
Communication 0% for DC section 25% for AVCs	Average	Providing easy-to-understand, relevant and attractive communications at appropriate stages of their pension's lifecycle are important in enhancing pension's confidence / engagement and drive appropriate pensions behaviour.
Governance 0% for DC section 25% for AVCs	N/A	Trustees provide effective, independent oversight and management of the Scheme to ensure regulatory compliance and members interests are considered appropriately in the Scheme. However, these costs are solely employer borne and so are excluded from the value for member analysis and have been weighted 0% to reflect this.

Default Arrangement



AVC Arrangement



The results for the year ending 30 April 2021 were:

The Scheme gave Average Value for Members in respect of the services for which members bear or share the costs.

The Scheme gave Average Overall Value for Money taking into account the quality of all services to members and the levels of contributions paid by members and the Employer.

The Trustees agreed an action plan for the following year to improve value where necessary and obtain any missing information.

5 Administration

The Trustees appointed Hymans Robertson to administer the Scheme on their behalf.

The Trustees monitored core financial transactions during the year including:

- switches between investment options; and
- payments of benefits (including retirements and outward transfers of funds).

The Trustees have a service level agreement (90% of standard requests are to be processed within 10 days) in place with the administrator which covers the accuracy and timeliness of all core financial transactions and other services such as:

- switching investment options;
- providing quotations of benefits to members who are retiring or leaving the Scheme;
- payments of benefits;
- producing annual benefit statements; and
- responding to ad hoc enquiries from members.

The Trustees understand that the administrator monitors its performance against these service levels by:

- maintaining accreditation with the Pensions Administration Standards Association (“PASA”);
- monitoring daily transactions;
- monitoring daily workflow items;
- regular internal audits of administration procedures; and
- reviewing the level, causes and resolution of complaints.

The Trustees monitored core financial transactions and administration service levels during the year by:

- receiving biannual reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels. In the 12 months to 31 March 2021, 95% of standard requests were achieved within the service level agreement;
- considering the reasons for and resolution of any breaches of service standards; although there were none this year;
- receiving reports from the Scheme’s Auditor, who independently tests sample transactions for accuracy and timeliness; and
- considering member feedback including any complaints. There were zero formal complaints in the six months to 31 March 2021.

The Scheme’s administrators, Hymans Robertson have confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

The Trustees are satisfied that the service standards are competitive because:

- the Trustees ask their advisers to compare service levels against other similar administrators; and
- the Trustees conducted a review of the administrator in 2018, when they were found to be competitive with other administrators.

Overall, the Trustees are satisfied that during the year:

- core financial transactions were processed accurately, promptly and efficiently;
- there have been no material administration errors in relation to processing core financial transactions; and
- the wider administration of the Scheme achieved the agreed service standards.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of Schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustees have reviewed the structure of the funds used within the default arrangement and other investment options. The Trustees believe that the current structures are appropriate for members when compared to other possible structures.

6 Trustee knowledge

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Section 247 and 248 of the Pensions Act 2004 requires that each Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly to exercise his or her functions as a trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustees' current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are:

- training is provided to ensure that Trustees maintain a working knowledge of the Scheme's Trust Deed and Rules, the Scheme's Statement of Investment Principles as well as the investment concepts and principles relevant to the Scheme, contract documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- the Trustees are encouraged to undertake further study and qualifications which support their work as Trustees;
- the Trustees have a plan in place for ongoing training appropriate to their duties;
- the effectiveness of these practices and the training received are reviewed annually; and
- the Trustees carry out regular assessments to confirm and identify any gaps in their knowledge and skills.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they are material.

All the Trustees have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles (“SIP”). The Trustees refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme’s investments.

During the period covered by this Statement, the Trustees received training on the following topics:

Date	Topic	Aim/benefit	Trainer
Ongoing	The Pension Regulator’s Trustee Toolkit	Utilising the Regulator’s free training service to increase trustee knowledge to enable them to carry out their duties for the benefit of their members	The Pensions module
Ongoing	DC market updates	The Scheme’s advisers provide legislative and market updates as required to allow the Trustees to keep abreast of market developments and comply with any changes in regulation	Hymans Robertson
May 2020	Update on Current Issues	Aim was to educate Trustees on consultations regarding pension dashboards.	Hymans Robertson

The Trustees have appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustees review the effectiveness of its advisers annually and periodically reviews the appointment of its advisers.

The Trustees undertook the following reviews during the last year:

Date	Review of
September 2020	Statement of Investment Principles

The Trustees are satisfied that during the last year they have:

- taken effective steps to maintain and develop their knowledge and understanding; and
- ensured they received suitable advice.

The Trustees are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during period covered by this Statement.

7 Our plans for the next year

During the last year the Trustees undertook the following (over and above “business as usual”):

- reviewed and updated their Statement of Investment Principles;
- Agreed objectives for their investment advisor as per CMA requirements;
- updated the annual training plan; and

- reviewed and updated the risk register.

In the coming year (which will be covered by the next Statement), the Trustees intend to carry out the following:

- review the default arrangement to ensure it remains suitable for the membership;
- continue to regularly review funds and monitor performance;
- review the early termination penalty applicable to the With-Profits fund;
- update the annual training plan; and
- review and update the risk register.

The Trustees believe that this work will help you get the best out of our Scheme.

Information

The Trustee has not been able to obtain full up to date data on the AVC transaction costs, therefore the data provided is to 30 September 2020. This is the most current information that Prudential have been able to provide at the time of writing.

Additionally, the Trustee notes the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension plans and has relied heavily on the market knowledge of its advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.
- The Trustee understands that these issues currently affect many pension plans and pension providers. The amount of comparative information available should improve over the next few years.

Appendix 1

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 2019, 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 Trustee has 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.

This Statement focuses on the DB Section of the Scheme. The Trustee has prepared a separate Statement of Investment Principles for the DC Section of the Scheme.

The Trustee is 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 Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee 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 Trustee’s 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 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.

All the managers are authorised under the Financial Service and Markets Act 2000 to undertake investment business. The 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 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, has 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 have also decided to 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.

The Trustees review the nature of Scheme investments 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 review the manager arrangements from time to time taking advice as required.

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 mainly 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 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.

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 the 2019 triennial actuarial valuation 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 Trustee has 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 Trustee 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 believes 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 improve corporate behaviours, improve performance and mitigate financial risks. 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.

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 Trustee's 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.

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 Trustee believes 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.

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	50.0	Markit iBoxx GBP Non-Gilts 15 Year +
Over 5 Year Index-Linked Gilts Index	50.0	FTSE A Index-Linked Over 5 Year

In addition, there is a small allocation to the L&G Investment Grade Corporate Bond All Stocks Index Fund.

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

Appendix 2

Table of funds and charges

Default arrangement

The charges for each fund used in the default (as “Total Expense Ratios”) and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential With-Profits Investment Account		0.85%	£8.50	0.00%	£0.00

Source: Prudential

The Prudential With-Profits Investment Account as a charge of 0.65% p.a. of the fund value and additional expenses in the year to 30 April 2021 were 0.20%. (source: Prudential) In addition, there is an explicit scheme charge which is paid by the Company of £500 p.a.

Due to the nature of a With-Profits fund, the provider can levy a penalty for early termination, with no such penalty on death or retirement. The charge is made to protect other members of the With-Profits fund from losing out where the termination value (including bonuses) would otherwise be higher than the real value of the underlying investments. These charges are set by the provider and are not within the control of the Trustees. Similarly, a charge would apply if the Trustees were to move the investment to another investment product or provider.

On the counter side, additional (terminal) bonuses can be added when the value of the With-Profits fund would otherwise be lower than the value of the underlying investments.

Other investment options

There are no alternative investment options or self-select funds available. The Trustees assessed the feasibility of new offerings and decided that it would be infeasible to provide more investment options for members because there are no new contributions and the Trustees would not wish to encourage members to withdraw from the With-Profits Fund as it would lead to a loss of the terminal bonus.

Additional Voluntary Contributions (“AVCs”)

The charges for Additional Voluntary Contribution funds (as “Total Expense Ratios”) and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential All Stocks Corporate Bond	GB0031685638	0.76%	£7.60	0.08%	£0.80
Prudential Discretionary	GB0031685745	0.77%	£7.70	0.17%	£1.70
Prudential International Equity	GB0031686263	0.77%	£7.70	0.23%	£2.30
Prudential Long Term Bond	GB0031694036	0.66%	£6.60	0.15%	£1.50
Prudential UK Property	GB0031694143	1.28%	£12.80	0.00%	£0.00

Prudential With-Profits Cash Accumulation Fund	Charges for this fund depend on the performance of the With-Profits Fund, in particular the investment return and the investment manager's expenses. If, for example, over time investment returns are higher, then we would expect higher charges and if investment returns are lower, we would expect lower charges. The investment manager currently expects this charge to be 0.80% p.a., based on the assumption that future investment returns from the fund are 5% p.a. This charge is deducted through the bonus mechanism.
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Since the Scheme year end, The Prudential UK Property Fund has been closed. There were no members invested at the time.

Source: Prudential

* ISIN = the International Securities Identification Number unique to each fund.

** Notes about "Total Charge"

- The Total Charge is also known as a fund's "Total Expense Ratio" (TER) and is the sum of a fund's Annual Management Charge (AMC) and other operating costs and expenses (OCE). It excludes transaction costs on the fund's underlying assets.
- The Total Charge includes the platform provider's charges (including the charges for the routine administration of the Scheme).
- The Total Charge for the investment options are borne by the members.

With Profits

Some member contributions are invested in the Prudential With-Profits Investment Account and the Prudential With-Profits Cash Accumulation Fund. There is currently an implicit member-borne charge which is made through the declared bonus of approximately 0.65% p.a. of the fund value, additional expenses in the year to 30 April 2021 were 0.20% (source: Prudential). In addition, there is an explicit scheme charge which is paid by the Company of £500 p.a.

Due to the nature of a With-Profit fund, the provider can levy a penalty for early termination, with no such penalty on death or retirement. The charge is made to protect other members of the With-Profits fund from losing out where the termination value (including bonuses) would otherwise be higher than the real value of the underlying investments. These charges are set by the provider and are not within the control of the Trustees. Similarly, a charge would apply if the Trustees were to move the investment to another investment product or provider.

On the counter side, additional (terminal) bonuses can be added when the value of the With-Profits fund would otherwise be lower than the value of the underlying investments

It should be noted that the implicit charges for the With-Profits Fund cover the cost of guarantees and reserving as well as investment management and administration.

Higgins Group PLC Pension and Life Assurance Scheme - DB Section Implementation Statement for the year ending 30 April 2021

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 May 2020 to 30 April 2021. This Implementation Statement is in respect of the Scheme's SIP that was in place as at 24 September 2020.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustees follow when governing the Scheme's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustees' approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme's SIP that was in place as at 24 September 2020.

If you want to find out more, you can find a copy of the Scheme's current SIP at <https://www.higgins-group.co.uk/media/1032/200914-higgins-plas-sip-2020-final.pdf>

What is the Implementation Statement for?

Each year from 2020 onwards, the Trustees are required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP during the last Scheme year and other related matters.

Overall, the Trustees are satisfied that:

- **The Scheme's DB investments have been managed in accordance with the SIP; and**
- **The provisions in the SIP remain suitable for the Scheme's DB members.**

How the Scheme's investments are governed

The primary objective of the DB Section 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' overriding funding principles for the DB Section are as follows:

- To ensure that there are sufficient and appropriate assets in the DB Section (at their realisable value) to cover the expected cost of providing members' past service benefits; and
- To set the employer contribution at a level which is sufficient to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term.

The Trustees monitor how well their investment advisers meet the objectives agreed with them, which are designed to align with the Trustees' objective and investment strategy set out in the SIP. The following DB objectives have been set by the Trustees for their investment advisers:

- Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Scheme's investments to progress towards the long-term funding objectives;

- Implement a strategy, and amendments to the strategy, that delivers the target returns over the long-term;
- Reduce the value at risk within the Scheme to an acceptable level when it is affordable to do so;
- Deliver an investment approach that reflects the Scheme's cashflow position, and likely evolution, and minimises the risk of forced disinvestment;
- Produce advice on cost-efficient implementation of the Trustees' strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management, selection of managers.
- Provide relevant and timely advice, provide papers within agreed timescales with the Trustees, and develop Trustees' knowledge and understanding of the Scheme's investment strategy, its implementation and investment matters.
- Ensure advice complies with relevant pensions regulations and legislation relating to investment, including the Scheme's Statement of Investment Principles.
- Develop the Trustees' policies and beliefs, including those in relation to Responsible Investment.
- Ensure advice reflects the Trustees' own policies and beliefs, including those in relation to Responsible Investment.

The Trustees will review their investment adviser against their agreed objectives in late 2021.

The Trustees are satisfied that the objectives set out in the SIP have been met during the last year.

The Trustees have maintained their understanding of investment matters. The Trustees undertook the following activities during the last year to ensure that their knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
16 June 2020	Scheme investments update	Update the Trustees on investment markets and performance of funds within the Scheme's investment portfolio.	Hymans Robertson
13 November 2020	Scheme investments update	Update the Trustees on investment markets and performance of funds within the Scheme's investment portfolio.	Hymans Robertson
23 March 2021	Investment Strategy	Review of Scheme's growth portfolio.	Hymans Robertson

The SIP has been updated to reflect the Trustees' own policies and beliefs, including those in relation to Responsible Investment.

How the investment strategy is managed

The objectives and rationale for the investment strategy is set out in the Scheme's current SIP.

The Trustees last carried out a review of the investment strategy in November 2019 to assess its suitability. The benchmark was also reviewed and changes to the investments were agreed by the Trustees at a meeting on 8 November 2019. Due to the impact of COVID-19 de-risking of the plan's equity holdings was put on hold until markets recovered. However, over July-August 2020, the Scheme's LDI assets were rebalanced to increase hedging positions for both interest rates and inflation. In December 2020, the de-risking of the Scheme's equity portfolio was completed with proceeds invested into LDI and corporate bonds. Following the Scheme year end, the growth portfolio was reviewed with holdings in SEI completely disinvested and proceeds invested within

passive equities with Legal and General during 2021. The investment strategy is in-line with the Trustees' current views on the appropriate balance between seeking and enhancing long-term return and matching the underlying liabilities.

The Trustees carried out an investment strategy review during the 2019 Scheme year and decisions were implemented over 2020. A further strategy review was carried out in 2021, and changes were implemented after the end of the 2021 Scheme year. The next review will be conducted alongside the next actuarial valuation.

How investments are chosen

In relation to the selection of new investments, the Trustees seek and consider written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

The Trustees will carry out necessary due diligence on the underlying investment decision making process, to ensure the managers make investment decisions over an appropriate time horizon aligned with the Scheme objectives.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set as a percentage of assets under management. The Trustees periodically review the fees paid to the Scheme's managers against industry standards.

The Trustees will measure a fund's relative tracking error where appropriate.

The Trustees review the performance of their managers at regular Trustee meetings against a series of metrics, including financial performance against the benchmark and objectives of the mandate and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

For any future manager appointments, the Trustees will consider the policies set out in the SIP, especially around the remuneration of managers.

Over the last Scheme year, The Trustees monitored fund performance relative to the managers' respective benchmarks on a quarterly basis through investment manager reports. The Trustees have expressed disappointment with the performance of their active growth manager SEI over the long term and decided to replace the SEI mandate with passive equities managed by Legal and General.

The expected risks in the DB Scheme

The investment risks relating to the DB Scheme are described in the SIP on pages 3 to 5.

The Trustees believe that the main investment risks the Scheme faces as described in the SIP have not changed materially over the last year.

The Trustees are satisfied that through a diversified portfolio, systemic risk can be mitigated, and accept that it is not possible to make specific provision for all possible eventualities which arise under this heading.

The Trustees' views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) and the style of equity management adopted by the Scheme.

During the Scheme year the Trustees reduced the overall risk in the investments resulting from the strategy review undertaken in 2019, implementation of which was delayed due to the market downturn resulting from COVID-19.

Ability to invest / disinvest promptly

It is important that member benefits can be received promptly, and that the Scheme's investments can be realised quickly if required.

The Trustees reported no issues of liquidity over the last Scheme year.

Portfolio turnover within funds

The Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, and managers 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 at meetings if there is a sudden change in portfolio turnover or if the level of turnover seems excessive, resulting in a material difference between benchmark and fund returns. The Trustees request turnover costs incurred by the asset managers over each Scheme reporting year.

Conflicts of interest

The SIP updated in September 2020 includes consideration of potential conflicts of interest:

- When choosing fund managers;
- When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
- When the fund manager is making decisions on where each fund is invested.

Over the last Scheme year, the Trustees separately considered any conflicts of interest arising in the management of the Scheme and its investments and have ensured that the managers have an appropriate conflicts of interest policy in place.

Responsible Investment

The Trustees believe that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme invests in.

The Trustees' approach to responsible investing has not changed during the last year.

Sustainable Investment

The Trustees believe that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Scheme's investments.

The Trustees are satisfied that during the last year the Scheme's investments were invested in accordance with the policies on sustainable investing set out in the SIP.

Investment stewardship

As described on pages 7 to 8 of the SIP, the Trustees believe it is important that the fund managers as shareholder or bond holder takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments). After the end of the current Scheme year the Trustees switched into the LGIM Future World Fund which invests in equities with an ESG overlay.

The Trustees' own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustees meet periodically with their managers and consider how they have exercised their stewardship role.

The Trustees do not engage directly but believe it is appropriate for their manager to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to the funds in order to improve corporate behaviours, performance and mitigate financial risks.

As the Scheme's investments are held in pooled funds, the Trustees are not able to instruct the fund managers how they should vote on shareholder issues. The Trustees nevertheless:

- Delegate voting on shareholder issues to the underlying fund managers in accordance with the managers' house policies, and request the manager to provide details of any changes to their house policies at Trustee meeting presentations;
- Expect fund managers to vote in a way which enhances the value of the funds in which the Scheme invests;
- May seek further information from their manager on how funds may be affected by a particular issue.

The Trustees are satisfied that their fund managers vote on shareholder issues and monitor their voting records, as per the below.

Voting activity

The Trustees seek to ensure that their managers are exercising voting rights and where appropriate, to monitor managers voting patterns. The Trustees also monitor their investment managers' voting on particular companies or issues that affect more than one company.

SEI

All underlying securities in pooled funds that have voting rights are managed by SEI with SEI having the legal right to the underlying votes. SEI in turn use a Specialist ESG Provider as a proxy for voting and provide the Specialist provider with the holdings across all SEI's pooled funds. During the period from 1st April 2020 to 31st March 2021, across the Scheme's holdings SEI voted as follows:

Fund Name	Global Managed Volatility	US Small Cap	Emerging Equity
ISIN	IE00B19H3542	IE0034296800	IE0000629257
Number of Votable Meetings	584	358	631
Number of Votable Items	7905	3467	5843
% of Items Voted	97%	100%	99%
For	74%	74%	79%
Against	22%	19%	16%
Abstain/ Withheld/ Other	4%	7%	5%
% of votes with management	75%	74%	82%
% of votes against management	25%	26%	17%
% of votes other			2%
Voting Against/Abstain by Category			
Capital Related	4%	0%	14%
Board/Directors/Governance	54%	41%	49%
Remuneration Related	23%	40%	14%
Shareholder Proposals	7%	2%	3%

Other	13%	16%	21%
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Fund Name	Pan Euro Small Cap	Global Select Equity	UK Equity
ISIN	IE0034296248	IE00B8FH1426	IE00B3KF4Q98 & IE00B3KF5229
Number of Votable Meetings	269	510	241
Number of Votable Items	4197	8796	4202
% of Items Voted	78%	97%	99%
For	86%	80%	94%
Against	13%	18%	5%
Abstain/ Withheld/ Other	1%	2%	1%
% of votes with management	87%	81%	95%
% of votes against management	12%	19%	5%
% of votes other	1%		
Voting Against/Abstain by Category			
Capital Related	10%	4%	3%
Board/Directors/Governance	28%	43%	37%
Remuneration Related	42%	28%	39%
Shareholder Proposals	6%	9%	4%
Other	13%	15%	17%

SEI Significant Votes

A highlight of some of the significant votes during the period are shown in the table below. Whilst many votes may have significant impact on the financial or non-financial performance of a company, the ones below have been drawn out as they are part of wider engagement that SEI has been conducting with the particular company and hence reflect the achievement of an engagement milestone.

Company Name	Held in Fund(s)	Theme	Vote Instruction	Description
Kellogg Company	Global Managed Volatility Global Select Equity Dynamic Asset Allocation	Corporate Governance	For	Voted For introduction of annual election of directors (instead of staggered or classified election) through their voting.

Intel	Global Managed Volatility Global Select Equity Dynamic Asset Allocation	Labour Standards	Against	Voted against a report on Global Median Gender/ Racial Pay Gap due to the shortcomings of the report methodology. While SEI are overall supportive of enhanced diversity and pay equity disclosure, SEI consider that a 'global median gender/racial pay gap' report would not produce meaningful information about the worker fairness because categories or underrepresented minorities differ from country to country.
Kroger co	Global Managed Volatility Global Select Equity Dynamic Asset Allocation	Human Rights	For	Although the Management recommendation was Against the proposal, SEI voted For the report on Human Rights Due Diligence Process in Operations and Supply Chain. The company faces risks related to human rights in its global operations. Good practice includes developing a clear code of practice along with monitoring and effective disclosure to ensure risks are managed effectively and communicated to shareholders.
Diversified Healthcare Trust	US Small Companies	Corporate Governance	For	Introduced annual election of directors by declassifying the board. The annual election of directors provides greater board accountability to shareholders. SEI pushed for declassification through their voting.
Bakkavor Group Plc	UK Equity	Corporate Governance	Against	Voted Against the reappointment of PricewaterhouseCoopers LLP as Auditors. The lead audit partner of PricewaterhouseCoopers LLP was also the lead partner at Redcentric plc during FY2016, where a number of accounting issues were identified which resulted to significant restatements in the 2016 accounts of Redcentric. The UK's accounting regulator – the Financial Reporting Council (FRC) – has fined PwC and the lead audit partner for its role in restatement of Redcentric accounts. The FRC also noted that in certain cases the breaches were

				of a basic and / or fundamental nature, evidencing a serious lack of competence in conducting audit work.
Citizens Financial Group Inc	Dynamic Asset Allocation	Corporate Governance	For	Enhanced shareholder rights by giving shareholders the right to call a special meeting. Previously shareholders did not have the ability to do so. SEI advocated for this change through our votes at shareholders' meeting.

Newton

The Trustees also invest in the Newton Real Return Fund. Voting activity for this fund is set out in the table below:

No. of meetings eligible to vote at during the year	107
No. of resolutions eligible to vote on during the year	1,467
% of resolutions voted	98.5%
% of resolutions voted with management	85.7%
% of resolutions voted against management	14.3%
% of resolutions abstained	0.0%
% of meetings with at least one vote against management	38.0%

Newton Significant votes

The manager has identified the following votes as being of greater relevance to the Scheme:

Newton Real Return Fund

Date	Company	Subject (theme and summary)	Vote Instruction	Manager's vote and rationale
27 July 2020	Linde plc	Executive compensation arrangements and election of directors	Against	Newton decided to vote against the advisory vote on executive compensation, and against the members of the remuneration committee members. A majority of long-term pay awards vest based on time served, which means executive pay is not subject to rigorous performance conditions and therefore not aligned with shareholders' interests. In addition, some of the perks to the CEO seem unnecessary and excessive, including the use of company aircraft for personal purposes, financial planning expenditures, and additional years of service credits beyond time served at the

				company being considered to calculate his pension benefit.
19 August 2020	LEG Immobilien	Remuneration policy	Against	Newton voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, there was concern that long-term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention due to these generally being one-off in nature.
27 April 2021	Citigroup Inc.	Amend Proxy Access Right	Against management proposals and For the shareholder proposal	Newton voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.
2 December 2020	Microsoft Corporation	Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors	Against	Despite improvements to executive remuneration practices over recent years, Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee. Newton also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.

29 April 2021	Goldman Sachs Group Inc.	Provide Right to Act by Written Consent, Mandatory Arbitration on Employment Related Claims	Against	<p>Newton supported a shareholder proposal requesting that the company provide shareholders with the right to act by way of written consent. This would enhance shareholders' rights, provide shareholders with the means to raise issues outside of AGMs, and is aligned with US best practice.</p> <p>Additional information on the company's policies regarding mandatory arbitration for harassment and discrimination cases was considered to have merit as it would provide insight into practices and could result in improved recruitment and retention, as well as allowing shareholders to better assess the risks associated with the company's use of arbitration agreement.</p> <p>Newton did not support two shareholder proposals. Newton considered that the company has been taking meaningful action in terms of racial and economic equality, and the request for Goldman Sachs to become a B Corporation (a public-benefit corporation) could be legally problematic.</p>
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Use of a proxy adviser

The Trustees investment managers have made use of Institutional Shareholder Services (ISS) as proxy voting advisors over the Scheme year:

Review of policies

The Trustees have committed to reviewing the managers' Responsible Investing policies on an annual basis. They will consider the managers' broader approach to responsible investment issues in addition to considering any change in approach by the managers over the year, including voting policies.

The Trustees remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Higgins Group PLC Pension and Life Assurance Scheme - DC Section

Implementation Statement for the year ending 30 April 2021

Why do the Scheme's investments matter to me?

The Scheme provides you with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustees follow when governing the Scheme's investments. It describes the rationale for the investment fund, explains the risks and expected returns and the Trustees' approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme's SIP that was in place as at 30 April 2021. In order to reflect new regulatory requirements, the SIP was reviewed and signed by the Chair during the last Scheme year on 24 September 2020. The main changes to the SIP were as follows:

- How the Trustees define stewardship for the Scheme, recognising it encompasses the exercise of voting rights, engagement by and with the fund manager and the monitoring of compliance with agreed policies
- The Trustees' approach to voting and engagement and appropriate delegation to managers to use shareholder voting rights.
- How the Trustees monitor the investment manager's adherence to voting and engagement policies.

If you want to find out more, you can find a copy of the Scheme's current SIP at

<https://www.higgins-group.co.uk/media/1032/200914-higgins-plas-sip-2020-final.pdf>

What is this Implementation Statement for?

Each year from 2020 onwards, the Trustees are required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP during the last Scheme year and other related matters.

Overall, the Trustees are satisfied that:

- **The Scheme's DC investments have been managed in accordance with the SIP; and**
- **The provisions in the SIP remain suitable for the Scheme's DC members.**

How the Scheme's investments are governed

The Trustees have overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There have been no changes to the Trustees or the governance processes during the last year.

The Trustees have delegated day-to-day investment decisions, such as which investments to buy and sell, to the fund manager Prudential.

The Trustees undertook the following activities during the last year to ensure that their knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
16 June 2020	Scheme investments update	Update the Trustees on investment markets and performance of funds within the Scheme's investment portfolio.	Hymans Robertson
13 November 2020	Scheme investments update	Update the Trustees on investment markets and performance of funds within the Scheme's investment portfolio.	Hymans Robertson

The Trustees monitor how well their investment advisers meet the objectives agreed with them, which are designed to align with the Trustees' objective and investment strategy set out in the SIP. During the last year the investment adviser agreed the following DC objectives with the Trustees:

- Deliver an investment approach for the default arrangement that maximises long-term risk-adjusted real returns for members
- Deliver competitive fund fees
- Provide relevant and timely advice, allowing the Trustees to access new investment opportunities as appropriate.
- Draft papers which set out our advice in a clear and easily understandable way, and are delivered within agreed timescales.
- Develop Trustees' knowledge and understanding of investment matters.
- Our services to support your ongoing governance shall be proportionate and competitive in terms of costs relative to our peer group.
- Ensure our advice complies with relevant pensions regulations, legislation and supporting guidance. This will include aspects such as the latest regulations on ESG and requirements in relation to the Chair's Statement.
- Develop the Trustees' policies and beliefs, including those in relation to Responsible Investment. Ensure our advice reflects the Trustees' own policies and beliefs, including those in relation to Responsible Investment.

The Trustees are satisfied that during the last year:

- **The Scheme's DC governance structure was appropriate; and**
- **The Trustees have maintained their understanding of investment matters.**

The Trustees will review their investment adviser against their agreed objectives in late 2021.

How the default arrangement is managed

The objectives and rationale for the default arrangement are set out in the Scheme's current SIP.

The Trustees last carried out a review of the default arrangement in November 2015. Although It was acknowledged that there was only one fund available for the DC section, this was considered acceptable due to the small number of members and low value of assets and the fact that members have not been able to make new contributions since 2008.

As the DC Section is closed, there have been no significant or unexpected changes to the profile of the DC members. The DC members' age profile continues to mature gradually as expected, which is effectively managed by the investment approach of the default arrangement.

The Trustees are satisfied that the default arrangement remains suitable for most members and meets the Trustees' default arrangement investment objectives.

The expected risks on your savings in the DC Scheme

The investment risks relating to members' DC benefits are described in the SIP on pages 10 to 11.

The Trustees believe that the main investment risks members face described in the SIP have not changed materially over the last year. The Trustees are satisfied that the default arrangement is appropriate for managing those risks and meet the objectives set out in the SIP.

Ability to invest / disinvest promptly

The substantial cash-flows in and out of the Prudential With Profits Fund mean that the Trustees can readily disinvest members from the default arrangement.

The default arrangement is invested in the Prudential With Profits Fund which means that in adverse market conditions a market value adjustment can be applied which reduces payments where benefits are withdrawn before retirement. Also, the final bonus payable when benefits are taken is not guaranteed by Prudential and can be reduced following a longer period of difficult market conditions. This is set out on page 9 of the SIP.

Portfolio turnover

Due to the nature of the With Profits Fund, the Trustees are not able to monitor portfolio turnover. However, as most disinvestments are currently met from cash inflows, the Trustees understand that the Fund will hold many of its assets over the longer-term.

Security of your savings in the Scheme

In addition to the normal investment risks faced in the fund, the security of your savings in the Scheme depend upon:

- The financial strength of the provider; and
- The legal structure of the fund.

The financial strength of the provider has a bearing on the risk of losses to the Scheme's DC members caused by the remote chance of the Prudential getting into financial difficulties. The legal structure of the fund has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the manager's business in the unlikely event that they become insolvent.

There have been no changes to the structure of the funds used by the DC Section of the Scheme during the last year. There have however been a number of servicing issues with Prudential over the year mainly due a change in administration provider from Capita to Diligenta, which has resulted in delayed payment of member benefits, slow responses to

enquiries and delays in implementation of changes to investment options. Prudential have dedicated significant effort to rectify the situation, however whilst standard servicing levels have improved, non-routine requests still require lengthy turnaround times. This is being regularly monitored.

Conflicts of interest

Due to the nature of the With Profits Fund, the Trustees are not able to monitor conflicts of interest with Prudential. However, the Trustees expect Prudential to invest the Scheme's DC assets in the members' best interests.

Manager incentives

Due to the nature of the With Profits Fund, the Trustees are not able to monitor the incentives of the Fund's investment managers. However, the Trustees believe that it is in Prudential's interests to ensure that the managers invest the Fund's assets in keeping with its long-term strategy as this will have a bearing on Prudential's financial strength.

Responsible Investment

The Trustees believe that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme invests in.

The Trustees' approach to responsible investing has not changed during the last year.

Sustainable Investment

The Trustees believe that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Scheme's investments and in turn the size of your retirement benefits.

The Trustees have considered the length of time members' contributions are invested in the Scheme when choosing and reviewing the fund used in the default arrangement.

The Trustees note that their investment advisers rate Prudential's approach to responsible and sustainable investment as "adequate".

The Trustees are satisfied that during the last year the Scheme's investments were invested in accordance with the policies on sustainable investing set out in the SIP.

Investment stewardship

As described on page 12 of the SIP, the Trustees believe it is important that the fund manager as shareholder or bond holder takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

As the Scheme's investments are held at arms-length from the Trustees and members in a With Profits Fund, the Trustees are not able to instruct the fund manager how they should vote on shareholder issues. As a result, the Trustees:

- Delegate voting on shareholder issues to the underlying fund manager in accordance with their house policies;
- Expect the fund manager to vote in a way which enhances the value of the fund.

Voting activity

The Trustees have not requested detailed voting activity from the fund manager. However, the Trustees understand from their advisers that Prudential are developing the reporting of voting activity on the With Profits Fund's equity investments, although this will be retrospective in nature.

The Trustees also understand that Prudential have had a longstanding practice of private engagement with the companies in which they invest with a view to protecting its interests as a shareholder.

Communication and member engagement

The Trustees' approach to communicating the Scheme's investment options and investment governance have not changed during the last year.

Member engagement is actively encouraged through a variety of means. During the last year the Trustees undertook the following to support member engagement:

- Publishing the SIP online; and
- Producing an annual benefit statement.

During the last year the Trustees followed all the policies and practices described in the SIP.