Redrow Staff Pension Scheme

Statement of Investment Principles (SIP)

Purpose of this Statement

This SIP has been prepared by the Trustees of the Redrow Staff Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustees’ decisions to invest the assets of the Scheme.

The Scheme’s investment strategy is derived from the Trustees’ investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Investment objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid in full. The Scheme’s funding target is specified in the Statement of Funding Principles, and the Scheme’s funding position will be reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme’s circumstances.

In Q4 2022, the Trustees agreed to purchase a buy-in insurance policy with Phoenix Life Limited, trading as Standard Life, which covers the vast majority of the Scheme’s liabilities. This transaction took place in Q1 2023. A small amount of residual assets is being held alongside the insurance policies and invested in Cash. These assets can be used to cover any residual premium (true-up premium) that might be due after the Final Data Cleanse, and any remaining uninsured liabilities. The Trustees decided to retain one of their investment managers for the purpose of holding the Cash.

Investment strategy

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix 1. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the sponsor’s covenant. The Trustees considered the merits of a range of asset classes, including various “alternative assets”.

The benefits of a buy in policy have been deemed appropriate, having taken the Trustees’ objectives into account.

Investment mandates

The Trustees have appointed an insurer and an investment manager to manage the assets of the Scheme. The Trustees have appointed Legal & General Investment Management (“L&G”) to manage the remaining assets of the Scheme not held by the insurer, which are invested in the L&G Cash Fund. The insurer and investment manager are regulated under the Financial Services and Markets Act 2000.

Delegation of day-to-day management

All decisions about the day-to-day management of the Cash assets have been delegated to the investment manager via a written agreement. This delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees took the insurer's policies with respect to the above into account when selecting the insurer.

The remaining assets with L&G are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

As the remaining assets are due to fund the ongoing costs of the Scheme and any remaining uninsured liabilities, the Trustees periodically monitor that the Scheme has sufficient assets. If this is not the case, the Trustees may need to intervene.

The Trustees acknowledges the importance of Environmental, Social and Governance factors (ESG) and climate change. As the vast majority of the assets are invested in the buy-in policy, there is limited scope for the Trustees to incorporate ESG into the Scheme's investment strategy.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustees will assess this at least annually to ensure compliance.

Direct Investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. These include the pooled vehicles available for members' AVCs contributions. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Trustees have an Investment Sub-Committee to monitor the operation of the Scheme's investment strategy, and facilitate discussions to ensure the smooth running of the Scheme. The Investment Sub-Committee has been established in order to ensure continual input from the Company.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Date: 22/03/2023..

Appendix 1 – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below. All risks within this Appendix are considered to be relevant over the lifetime of the Scheme's existing investment strategy in the context of the Trustees' current objectives.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	**Definition**	**Policy**
Interest rates and inflation	The risk of mismatch between changes in the value of the Scheme assets and present value of liabilities due to changes in interest rates and inflation expectations.	To hedge 100% of these risks.
Market	Experiencing losses due to factors that affect the overall	To remain appropriately diversified and hedge away any unrewarded risks, where

	performance of the financial markets.	practicable.
Credit	Default on payments due as part of a financial security contract.	When relevant, to appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance (ESG)	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To delegate to the investment manager the consideration of ESG factors in determining the appropriate holdings within their portfolios.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge currency risks where deemed appropriate, following advice from investment advisers.
Longevity	Members of the Plan living longer than expected, leading to a larger than expected liability.	To hedge the majority of this risk through the purchase of the buy-in policy.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix 2 – Investment Management Arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	• Where the Trustees have segregated holdings, these are on an instructed basis therefore the manager has limited scope to invest outside of these instructions. • As the Scheme's investment with L&G is via pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees policies. However, the purchase of the buy-in policy and any pooled fund holdings are aligned to the Scheme's strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The transaction costs incurred from portfolio turnover are collated annually for the Scheme accounts. • The investment managers take account of transaction costs in the context that their performance is measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers.	• The duration of the arrangements in which the Scheme invests in is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held. • The buy-in policy materially improves the security of members' benefits as the cashflows received under the policy are expected to exactly match the benefits to which members are entitled to. In light of

	this, the buy-in policy is expected to be a significant feature of the Scheme's ongoing investment strategy