The Apollo Pension and Life Assurance Plan

Statement of Investment Principles – October 2024

1. Introduction

The Trustees of The Apollo Pension and Life Assurance Plan ("the Plan") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments.

In preparing this Statement, the Trustees of the Plan have consulted with Apollo Fire Detectors Limited ("the Company"), the Plan's principal employer, to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Plan's investment arrangements. The Trustees have also obtained and considered written professional advice from Mercer Limited ("Mercer"), the investment consultants in connection with the Plan. The Trustees will review this statement at least once every three years, or more frequently if there are significant changes in the Plan's circumstances.

The Trustees' investment responsibilities are governed by the Plan's trust deed. A copy of the relevant clauses, of which this Statement takes full regard, is available on request.

The Trustees choose appropriate investments for the Plan by first identifying their objectives and subsequently identifying investments that are aligned with this. The Trustees' objectives, and therefore the appropriate investment arrangements, will change over time.

2. Investment Objective

The Trustees' objective is to invest the Plan's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework, the Trustees have agreed a primary objective to help guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustees' primary objective is as follows:

- To identify and implement an investment strategy that maximises the probability of meeting the contractual obligations to the beneficiaries of the Plan.

The investment objectives of the Plan have evolved following significant improvement in the funding level since 2022, driven by the material rises in UK government bond yields that reduced the value placed on the Plan's liabilities.

Over 2022 and 2023 the Trustees implemented investment de-risking activity and formed a medium-term objective to secure the accrued member benefits with an insurer (i.e. through a 'buy-in' contract).

In September 2024, the Trustees secured this objective by investing the majority of the Plan's assets in a bulk annuity contract with an insurance company (Phoenix Life Limited (trading as "Standard Life")). The contract is a buy-in policy and covers accrued benefits for all members. Under this policy, Standard Life are responsible for meeting the pensions payable to the Plan's deferred and current pensioner members, including tax-free cash on retirement and transfers out where relevant.

Following the completion of the buy-in transaction, most of the residual excess assets were invested in cash, through an investment in the Legal & General Investment Management ("LGIM") Sterling Liquidity Fund. This was considered an appropriate investment strategy for the Plan after the purchase of the buy-in policy, based on the desire to minimise volatility in the surplus position and focus on capital preservation.

An ongoing cash balance (which is expected to be small) is also held in the Trustee Bank Account, which is used to help meet ongoing expenses, future costs in relation to the potential wind-up of the Plan and any imminent member payments/adjustments.

3. Risk Management and Measurement

There are various risks to which any pension plan is exposed, albeit these risks have to a large extent been mitigated by investing in the buy-in contract with Standard Life.

- **Credit risk:** The principal risk facing the Trustees and the Plan's members is that Standard Life may default on their obligations under the annuity contract to meet accrued benefits (as contracted). Before entering into the contract with Standard Life, the Trustees obtained advice from its buy-in advisors which touched on this risk, and it was a key consideration for the insurer selection process. The policy in place is governed by market solvency requirements and the protections provided by the Financial Services Compensation Scheme.

- **Liquidity risk:** It is recognised that although the buy-in policy held with Standard Life could be liquidated in specific and limited circumstances, it is not a liquid investment and is intended to be held for the life of the Plan. The buy-in policy is intended to match the liquidity requirements of the relevant liabilities as exactly as possible, and so the requirement to hold liquid assets to meet these liabilities falls away. The residual assets invested in the LGIM Sterling Liquidity Fund and the ongoing balance in the Trustee Bank Account are highly liquid and low risk assets in case of any cashflow requirements that are not covered by the buy-in policy (e.g. fund expenses).

- **Inflation risk:** The Plan is exposed to the risk that its investment in the LGIM Sterling Liquidity Fund, which holds short-dated money market (cash) instruments, will be equal to or lower than the rate of inflation, leading to flat or negative real (inflation-adjusted) returns. This is not a primary consideration given the intention is to maintain the surplus rather than to grow it ahead of inflation.

- **Environmental, Social and Governance risks (including but not limited to climate change):** These risks are recognised and considered to be financially material. The Trustees may from time-to-time ask Standard Life to comment on the integration of ESG factors, where relevant, in the assets underlying the insurance policy. The Trustees will continue to monitor ESG risks for the invested residual assets. Further information is set out in Section 7.

The risks and other factors set out above are those that the Trustees determines to be financially material over the Plan's anticipated lifetime. Other risks, such as regulatory risk and operational risk are considered and monitored as appropriate.

4. Investment Strategy and Day-to-Day Management of the Assets

As noted, the Plan holds a buy-in policy with Standard Life, which accounts for the majority of the Plan's assets. Standard Life are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and are registered in the United Kingdom.

The nature of the buy-in policy is such that the expected return will fund the Plan's future pension obligations. Due to the buy-in policy, the Plan does not have a return target and instead the objective is to maintain liquidity and security and pay members' pensions as they fall due.

The Fund also has an investment in the LGIM Sterling Liquidity Fund (a pooled fund arrangement). This investment is considered low-risk given its investment in mostly short-dated and high-quality money market instruments.

5. Realisation of Investments

Standard Life, via the bulk annuity policy, provide a monthly annuity income to the Plan to allow the Trustees to meet monthly cashflow requirements. Lump sum payments from the insurer are paid if members transfer out of the Plan and to allow the Trustees to meet retirement lump sums.

A residual cash balance will remain in the LGIM Sterling Liquidity Fund and this, along with any cash held in the Trustee Bank Account, will be used to meet any additional costs of the Plan that arise.

6. Investment Manager Appointment, Engagement and Monitoring

The Plan invests in a buy-in policy that matches the liabilities of the Plan. The Trustees appointed Standard Life with the expectation of a long-term partnership; as buy-in policies cannot be traded in the open market the Trustees do not expect to review Standard Life's appointment.

The Trustees paid a premium to Standard Life in September 2024 when they entered into the buy-in policy. There are no ongoing fees in relation to the policy.

The purchase of the buy-in policy means the Trustees do not expect to appoint any further investment managers beyond the investment in the LGIM Sterling Liquidity Fund, where most of the Plan's residual assets are invested.

7. Responsible Investment and Corporate Governance

The Trustees believe that environmental, social and corporate governance ("ESG") issues may have a material impact on risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require consideration.

The Trustees have considered all financial factors, including ESG factors, when setting the investment strategy. Given the buy-in policy in place, the responsibility for management of all financial factors including ESG factors has mostly been delegated to the insurer. The Trustees reviewed the insurers' ESG capabilities as part of the insurer selection exercise. The Trustees will continue to monitor ESG risks for the invested residual assets.

8. Additional Voluntary Contributions (AVCs)

Additional Voluntary Contributions are separately invested with insurance companies using the appropriate contract for the members concerned.

With the assistance of the Plan's consultants, these arrangements are reviewed from time-to-time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustees and needs of the members.

Standard Life Investments Limited is the Plan's current AVC provider. Some members also have AVCs with Utmost Life and Pensions (following the business transfer of the Equitable Life Assurance Society to Utmost).

9. Advisors

9.1 Actuary

The actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The latest actuarial valuation was performed as at 1 April 2021 by the Plan Actuary. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities.

Elaine Wilson of Mercer Limited is the appointed Plan Actuary.

9.2 Investment Consultant

Whilst the day-to-day management of the Plan's assets is delegated to asset managers, all other investment decisions are based on advice received from the Investment Consultant. Mercer has been appointed for this purpose.

Consistent with the CMA Order, Mercer have been set objectives in terms of their role as Investment Consultant. These are reviewed at least every three years, and Mercer's performance against the CMA Objectives is formally assessed on an annual basis.

10. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Ratified and adopted by the Trustees of the Apollo Pension and Life Assurance Plan – October 2024