NHBC Pension Scheme

Statement of Investment Principles – July 2026
(replaces April 2026)

1. Introduction

NHBC Pension Trustee Limited, the Trustee of the NHBC Pension Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation and regulation.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. Due to the move to a more simplified arrangement, a separate document detailing the specifics of the Scheme's investment arrangements is no longer produced and relevant details are instead contained in this Statement.

In preparing this Statement, the Trustee has obtained written advice from the Scheme's professional advisors and the Trustee believes the professional advisors meet the requirements of Section 35(5) of the Pensions Act 1995 (as amended). The Trustee has also consulted NHBC, the Sponsoring Employer.

2. Process for Choosing Investments

The Trustee has considered its objectives for investing the Scheme assets. It has considered its Investment and Funding objectives together and in light of the strength of the Sponsoring Employer covenant to ensure that all three are compatible and supportable. The Trustee has then constructed a portfolio of investments consistent with these objectives.

In doing so the Trustee takes into account what it believes to be financially material considerations, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme over the Trustee's investment time horizon. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Scheme the Trustee has obtained and considered the written advice of its professional advisors, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The investment objectives set out here are those that the Trustee determines to be financially material considerations in relation to the Scheme.

The Trustee's objective is to secure all benefits through transferring responsibility for meeting all the Scheme's pension obligations to a regulated insurance company. To this end the Trustee has purchased a bulk annuity policy with The Prudential Assurance Company Limited ("Pru") with the intention of converting this to a "buy-out" and subsequently winding up the Scheme.

Prior to wind-up, additional payments or expenses will be met from cash balances and/or payments from the Sponsoring Employer. This includes any final required payment to Pru in addition to the Updated Initial Premium that has already been paid.

Given the Trustee's objectives, while members will continue to receive payments in the long term, from Pru, the Trustee's investment horizon is short.

4. **Risk Management and Measurement and Financially Material Considerations**

There are various risks to which any pension scheme is exposed which are considered to be financially material to the Scheme over its anticipated lifetime. The Trustee's policy on risk management and measurement is as follows:

- The primary investment risk arises from a mismatch between the Scheme's assets and liabilities. This is minimised by matching the liabilities with annuities held with a regulated insurance company.
- The Sponsoring Company may be unable or unwilling to finance a shortfall between assets and liabilities. This risk is also minimised by holding an annuity to meet all benefits, combined with a cash holding expected to be sufficient to meet outstanding commitments and expenses.
- The annuities represent a concentration of risk that the provider does not make the required payments. As the policies are governed by insurance market solvency regulations, the Trustee believes this risk is low and has mitigated it by careful choice of provider and contract terms.
- Although bulk annuities are illiquid investments and cannot be traded on regulated markets, the Trustee is satisfied this is appropriate given the security they provide by paying members' benefits as they fall due.
- Considerations specific to Environmental, Social and Governance ("ESG") issues are addressed in section 9.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether the current risk profile remains appropriate. Given the arrangements that are in place the likelihood of material change is considered very low.

5. **Portfolio Construction & Day to Day Management of the Assets**

After a careful suitability review, the Trustee has invested the majority of Scheme assets in a bulk annuity with Pru. Pru is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Trustee has taken steps to satisfy itself that Pru has the appropriate knowledge and experience.

At the time of writing, remaining invested assets (i.e. excluding a cash balance held in the Trustee Bank Account) are held in a pooled cash fund (the Insight Liquidity Fund), managed by Insight Investment Management ("Insight").

6. **Expected Return**

An expected return on the bulk annuity has not been determined but is implicit in the price of the contract.

The Insight Liquidity Fund aims to offer an income comparable to short-term Sterling interest rates. It is benchmarked against the Sterling Overnight Index Average ("SONIA") rate.

7. **Additional Assets**

Under the terms of the Trust Deed, the Trustee is responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members and also the assets relating to some members' transferred-in benefits. The Trustee reviews the investment performance of the funds in which assets are held on a regular basis and takes advice as to the providers' continued suitability.

8. **Selection, Retention and Realisation of Investments**

The selection, retention and realisation of assets is carried out in a way consistent with the overall principles set out in this Statement.

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under the annuity contract. These payments are available to meet the Scheme's cash outflows.

Any additional cash flow requirements, such as expenses, are expected to be met from residual investments or, if there is a shortfall, additional payments from the Sponsoring Company.

9. **ESG, Stewardship and Climate Change**

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a financially material impact on investment returns and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Pru in relation to the majority of Scheme assets via a bulk annuity contract, and to Insight in relation to the remaining invested assets. The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustee has minimal direct exposure to risks arising from long-term sustainability issues, including climate change. The Trustee is, however satisfied that Pru apply due consideration to ESG issues in the investment of assets underlying the contract.

10. **Non Financial Matters**

Non-Financial matters (as defined in the relevant regulations) are not taken into account when determining investment policy. Member views are not actively sought. The Trustee would review this policy in response to significant member demand.

11. **Insurer and Investment Manager Arrangements**

Aligning of Insurer and Investment Manager Objectives and Incentivisation:

Pru has been appointed with the aim of insuring the Scheme's liabilities and reducing the Scheme's funding volatility. The Trustee took expert advice in relation to this appointment. This included an assessment of Pru's capabilities, knowledge and experience. The annuity policy is managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policy is aligned with the Trustee's objectives and the terms of the policy incentivises Pru to meet the Trustee's objectives. The Trustee understands that it has no ability to determine or influence the assets in which Pru invests. The Trustee recognises that the annuity investment is illiquid and cannot be traded. However, it is conscious that the regulatory regime for insurers provides significant restrictions to ensure that commitments to policyholders are fulfilled.

The Insight Liquidity Fund is invested with the aim of providing capital stability, daily liquidity and income comparable to short-term Sterling interest rates. This is aligned with the Trustee's objectives. The Trustee can terminate Insight's appointment with minimal notice if they become concerned over Insight's ability to deliver against these objectives.

Performance Assessment & Fees

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustee's choice of insurer taking the size of the premium into account. The Trustee is satisfied that this is the most appropriate basis for remunerating the insurer.

Insight receives a fee from assets invested in the Insight Liquidity Fund as a percentage of the amount invested. Performance is assessed against a representative cash index.

Portfolio Turnover Costs

The obligation of the insurer to make payments is not impacted by on-going turnover costs and is not considered by the Trustee.

Cash fund holdings are considered to be low and trading costs are minimal. As such, the Trustee does not intend to monitor turnover costs explicitly in relation to these holdings.

12. Scheme Appointments

Investment Consultant

Whilst the day-to-day management of the Scheme's assets is delegated to Pru and Insight, all other investment decisions are based on advice received from the investment consultant. Mercer Limited has been appointed for this purpose.

Custodian

The assets are held in a bulk annuity insurance policy or in pooled funds. Custodianship of underlying assets is the responsibility of Pru and Insight respectively.

13. Compliance with this Statement

The Trustee will monitor compliance with this Statement annually.

14. **Review of this Statement**

The Trustee 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 Trustee 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. Any such review will also be undertaken in consultation with the Sponsoring Employer.

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Name Signature

For and on behalf of NHBC Pension Trustee Limited

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Name Signature

For and on behalf of National House-Building Council