

**Rockwool Limited Pension Scheme**  
**Statement of Investment Principles (“SIP”)**

**Purpose of this Statement**

This SIP has been prepared by the Trustee of the Rockwool Limited Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

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

**Governance**

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers and platform providers. The Trustee undertakes appropriate training as needed on relevant investment matters.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee’s investment adviser, Isio Group, 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 Trustee in the interests of obtaining best value for the Scheme.

**Investment Objectives**

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ current and future benefits can be paid. The Scheme’s funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances. The Scheme’s funding target is specified in the Statement of Funding Principles.

In November 2024, the Trustee purchased a buy-in insurance policy with Royal London Mutual Insurance Society Limited (“Royal London”) so that the vast majority of the Scheme’s liabilities were insured. A small amount of residual assets is being retained in cash and cash-like investments alongside the buy-in policy. The Trustees have retained one of their investment managers for the purpose of holding a money market fund if needed.

**Investment Strategy**

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The Trustee has purchased a buy-in policy with Royal London so that the vast majority of the Scheme’s liabilities are insured. This has effectively removed the vast majority of the investment risk (and longevity risk) from the Scheme and has enhanced the security of members’ benefits. The buy-in policy is expected to meet the vast majority of the future liability cashflows from the Scheme.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix A. 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 employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustee has considered the merits of a range of asset classes.

The benefits of a buy in policy have been deemed appropriate, having taken the Trustee's objectives into account.

Any residual assets not held with the insurer are expected to be invested in a money market fund and would be predominantly traded on regulated markets.

### **Investment Management Arrangements**

The Trustee has appointed an insurer and an investment manager to manage the assets of the Scheme. The insurer and investment manager are regulated under the Financial Services and Markets Act 2000.

The investments not held with the insurer are made through a platform provider where, with advice, the Trustee will select underlying funds from the platform to implement the chosen strategy. Legal & General ("L&G") are in place to manage the remaining assets of the Scheme not held by the insurer if necessary, and the L&G Cash Fund is available for this purpose. Scheme assets held on the platform are held under a Life policy issued to the Trustee by the platform provider, and are invested in pooled funds registered to the platform provider.

The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly performance reports and asset valuations;
- Providing any initial asset transition plan for the investment consultant to review; and
- Asset rebalancing and meeting cash flow requirements, when required.

The Trustee has made available a money market fund managed by L&G on the platform to invest the underlying assets of the Scheme not held with an insurer. All decisions about the day-to-day management of the invested assets have been delegated to the investment manager via the platform provider. The 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 Trustee takes investment manager's policies into account when selecting and monitoring managers. The Trustee also considers the performance targets the investment manager is evaluated on. The investment manager is expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable. The Trustee took the insurer's policies into account when selecting the insurer.

The investment manager's remuneration is based upon a percentage value of the assets under management. The platform provider's remuneration is a combination of fixed fees and fees based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis.

The remaining assets not held with the insurer are expected to be invested in pooled vehicles managed by L&G. The custody of the holdings is arranged by the investment manager.

### **Investment Manager Monitoring and Engagement**

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

The Trustee 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 Trustee to incorporate ESG into the Scheme's investment strategy. ESG was one of the factors taken into account when choosing Royal London as an insurer.

### **Employer-Related Investments**

The policy of the Trustee 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 Trustee will monitor this on an ongoing basis 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. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment adviser.

### **Compliance**

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, The Occupational Pension Schemes (Investment) Regulations 2005 and The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, as amended from time to time. Before preparing or subsequently revising this Statement, the Trustee has consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

**Signed:**

The Trustee of the Rockwool Limited Pension Scheme

**Signed:**

**Date: February 2025**



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

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated with this framework and how they are managed are stated below:

<b>Risks</b>	<b>Definition</b>	<b>Policy</b>
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"><li>• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.</li><li>• Investing in a diversified portfolio of assets.</li><li>• The buy-in effectively removes the vast majority of investment risk.</li></ul>
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"><li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li><li>• The Trustee 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.</li><li>• The buy-in effectively removes the vast majority of funding risk.</li></ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"><li>• When developing the Scheme's investment and funding objectives, the Trustee takes 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.</li><li>• The Scheme can now rely on the insurer covenant, although the sponsoring company's covenant is still relevant up until any buyout (if this path is chosen).</li></ul>

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

<b>Risk</b>	<b>Definition</b>	<b>Policy</b>
Interest Rates and Inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	<ul style="list-style-type: none"> <li>• The buy-in removes the vast majority of interest rate and inflation risk.</li> </ul>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	<ul style="list-style-type: none"> <li>• The buy-in removes the vast majority of liquidity risk.</li> </ul>
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	<ul style="list-style-type: none"> <li>• To remain appropriately diversified and hedge away any unrewarded risks, where practicable.</li> <li>• Given the heavily regulated nature of the bulk annuity market, market risk is effectively removed.</li> </ul>
Credit	Default on payments due as part of a financial security contract.	<ul style="list-style-type: none"> <li>• To diversify this risk by investing in a range of credit markets across different geographies and sectors.</li> <li>• Given the heavily regulated nature of the bulk annuity market, credit risk is effectively removed.</li> </ul>

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to, climate change, which can impact the performance of the Scheme's investments.	<ul style="list-style-type: none"> <li>To select managers on the platform who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion:               <ol style="list-style-type: none"> <li>1. Formalised a Responsible Investment ('RI') Policy / Framework</li> <li>2. Implementation of the RI Policy / Framework via the investment process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG-specific reporting</li> <li>5. Signatory to the UN PRI</li> </ol> </li> <li>Given the nature of the buy-in policy there is limited scope to monitor any ESG criteria. ESG was one of the factors taken into account when choosing Royal London as an insurer.</li> </ul>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<ul style="list-style-type: none"> <li>The buy-in policy effectively removes currency risk.</li> </ul>
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	<ul style="list-style-type: none"> <li>Non-financial matters are not taken into account in the selection, retention or realisation of investments.</li> </ul>

## Appendix B

The Trustee has 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 Trustee's policies.	<ul style="list-style-type: none"><li>• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective. However, the purchase of the buy-in policy and any pooled fund holdings are aligned to the Scheme's strategic objective.</li></ul>
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.	<ul style="list-style-type: none"><li>• The Trustee reviews the investment managers' performance relative to medium- and long-term objectives.</li><li>• Where applicable, the Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.</li><li>• The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.</li></ul>
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	<ul style="list-style-type: none"><li>• The Trustee reviews 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.</li><li>• The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.</li><li>• Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.</li></ul>
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	<ul style="list-style-type: none"><li>• The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net-of-cost basis.</li></ul>



<p>The duration of the Scheme's arrangements with the investment managers</p>	<ul style="list-style-type: none"> <li>• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in.</li> <li>• For open-ended funds, the duration is flexible, and the Trustee will from time to time consider the appropriateness of these investments and whether they should continue to be held.</li> <li>• The purchase of the buy-in policy is a permanent investment, but this was deemed to be appropriate for the Scheme given the security it provides for members' benefits.</li> </ul>
<p>Voting policy – How the Trustee expects investment managers to vote on its behalf</p>	<ul style="list-style-type: none"> <li>• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.</li> </ul>
<p>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'</p>	<ul style="list-style-type: none"> <li>• The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on its behalf.</li> <li>• The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.</li> <li>• Example stewardship activities that the Trustee has considered are listed below. <ul style="list-style-type: none"> <li>○ Selecting and appointing asset managers – the Trustee will consider potential managers' stewardship policies and activities.</li> <li>○ Collaborative investor initiatives – the Trustee will consider joining/ supporting collaborative investor initiatives.</li> </ul> </li> </ul>