Thebrickbusiness Pension Scheme
c/o Wienerberger Ltd
Brooks Drive
Cheadle Royal Business Park
Cheadle
SK8 3SA

thebrickbusiness Pension Scheme (the "Scheme")
Statement of Investment Principles

Investment objective

The Scheme is sectionalised into the Brickbusiness Section and the Baggeridge Section. This statement applies to both Sections.

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid.

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.

The Scheme's present investment return objective is to achieve a return in excess of the unwinding of liabilities on a technical provisions basis.

Investment strategy

It is important to note that at the time of writing the Trustees are working with the Company and their investment advisers to review the Scheme's investment strategy, including current target asset allocation and the longer-term approach. Therefore, this section is subject to change, although the initial expectation is that the changes will be relatively minor.

The Scheme's investment strategy is to invest across a suitable range of asset classes which provide the highest likelihood of meeting the stated objective.

The Trustees' objective is agreed as the following:

Variable	Trustee objective
Target	■ 100% funded on a technical provisions basis.
Timescale	■ The timescale to achieve the above target is the end of the Scheme's Schedule of Contributions.
Risk level	■ Bad event (as measured by 3 Year Value at Risk at 95%) impacts the funding position by less than £20m (excluding longevity risk), with the desire to de-risk should opportunities occur in a manner that the de-risking itself does not lead to additional contributions from the Sponsor.

To ensure consistency with the funding plan, the expected return of the investment strategy will be in excess of the return assumed within the calculation of the technical provisions and the recovery plan.

The investment strategy should give careful consideration to 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 should consider the merits of a range of asset classes, including various "alternative assets".

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as practical and appropriate) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

The Trustees recognise that exposure to Environmental, Social and Governance factors, including but not limited to climate change, are financially material considerations and can impact the performance of the Scheme's investments. However, investment mandates are selected with the purpose of maximising the chance of achieving the return objectives as set out in their mandates, which in combination aim to optimise the chance of achieving the Scheme's overall strategic objective.

The extent to which ESG and ethical considerations are taken into account in these decisions is delegated to the investment managers, acting within the guidelines and objectives set by thebrickbusiness Pension Scheme.

The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues. The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.

Investment mandates

The Trustees will give careful consideration to appoint the most appropriate managers to manage the assets of the Scheme. The current investment strategy and investment mandates are presented in the Statement of Investment Practice (the Appendix to this document). The fund managers are regulated under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012.

All decisions about the day-to-day management of the assets are delegated to the fund manager via a written agreement. This delegation includes decisions about:

- Realisation of investments.
- Social, environmental and ethical considerations in the selection, retention and realisation of investments.
- The exercise of rights (including voting rights) attaching to the investments.

The Trustees take fund managers' policies in the above respects into account when selecting and monitoring managers. The fund manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

In 2010, the Financial Reporting Council set out a series of seven principles known as the Stewardship Code to provide a framework for good practice for institutional investors who directly manage assets. The Trustees are supportive of the Stewardship Code and will monitor their fund managers' compliance with the code.

The fund managers' remuneration is based upon a percentage value of the assets under management. These fees are negotiated to be competitive. The fees have been negotiated to be competitive and are reviewed on an ongoing basis. The Scheme's mandates for Partners Group are also subject to a performance related fee element.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the fund manager (with the exception of the Scheme's investment with Schroders, where JP Morgan have been appointed as custodian by the Trustees). The custodian provides safekeeping for the assets and performs all associated administrative duties such as the collection of dividends.

Please see a summary of the investment managers, strategic benchmark and rebalancing procedures in the Statement of Investment Practice in the appendix.

Employer-related investments

The Trustees' policy is to monitor the Scheme's exposure to employer-related investments in accordance with the restrictions outlined in the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislative amendments. If the level of employer related investment exceeds 5% of the Scheme's value then the Trustees will actively look to address the exposure.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. 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 fund managers.

When making such decisions, and when appropriate, the Trustees will 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.

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.

Agreed by the Trustees of thebrickbusiness Pension Scheme

Appendix 1: Statement of Investment Practice

The Scheme is sectionalised into the Brickbusiness Section and the Baggeridge Section. This appendix applies to both Sections.

The Trustees have appointed investment managers that are regulated by the Financial Conduct Authority, with whom day-to-day responsibility for the investment of the Scheme's assets rests.

Details of each fund held, including benchmarks and outperformance targets are detailed in the table below:

Manager	Fund Name	Benchmark	Target outperformance	Fees (% p.a.)
Apollo	Total Return Fund	3 Month LIBOR	6% - 8% p.a. (gross of fees)	0.675[(1)]
Partners Group	Multi-Asset Credit VI Fund	SONIA	4% - 6% p.a. (net of fees)	0.775[(2)]
Partners Group	The Partners Fund I (GBP)	SONIA	5% - 6% p.a. (net of fees)	c.1.50 + perf fee[(3)]
Partners Group	Private Market Credit Strategies 2016 Fund	SONIA	5% - 7% p.a. (net of fees)	0.80[(4)]
Schroders	Matching Plus Funds	Gilts comparator	Track the comparator	c.0.09[(5)] of liability covered
Schroders	Securitised Credit Fund	3 Month LIBOR	2% p.a. (gross of fees)	0.41[(6)]
Schroders	Sterling Liquidity Plus Fund	SONIA	N/A	0.05%[(7)]
Ares	Securitised Income Fund	SONIA	3% p.a. (net of fees)	0.68[(8)]

Note: Outperformance target is approximate. Partners Fund I are Isio benchmarks, not those officially stated by the managers.

[(1)] *Fee represents annual management charge. The Fund is also subject to an administration fee which is capped at 0.2% p.a. for 4 years from 1 September 2018 and 0.25% p.a. thereafter.*

[(2)] *Fee represents annual management charge. The Fund is also subject to a performance fee of 8% subject to preferred return of 4% with catch up.*

[(3)] *Fee represents annual management charge. The Fund is also subject to a performance fee of 12.5% subject to a high water mark.*

[4] Fee represents annual management charge. The Fund is also subject to a performance fee of 8% subject to preferred return of 4% with catch up.

[5] Fee is 0.09% p.a. of liability covered for first £50m of liabilities covered, and 0.08% p.a. thereafter.

[6] Fee represents annual management charge of 0.35% per annum. The Fund is also subject to an additional charge of 0.06% resulting in an ongoing charge (OGC) of 0.41%.

[7] Fee represents an ongoing administrative charge (OGR) of 0.05%. No management fees are charged for the Fund.

[8] Fee represents an annual management charge of 0.68% per annum.

Strategic Benchmark and Rebalancing

Due to the Scheme holding both leveraged Liability Driven Investment ("LDI") assets (with variable capital backing a fixed proportion of the liabilities) and growth assets (which are exposed to cyclical market movements), the Trustees have agreed to take a pragmatic approach around adhering to a strategic benchmark. The Trustees have reference to the overall asset allocation via a broad strategic benchmark. This broad strategic benchmark can be found in the quarterly investment performance reports which the Trustees will update from when necessary. Should any allocations move outside of a 5% tolerance level relative to these allocations at a calendar quarter end, the Trustees will discuss whether the mismatch warrants rebalancing.

Furthermore, the LDI may require additional capital in order to maintain the required exposure should upper leverage breaches occur. The current arrangement allows Schroders to use the Schroders Sterling Liquidity Fund and Securitised Credit Fund as the primary collateral buffer where required for the LDI Fund. This allows Schroders to buy and sell units in the fund to maintain target leverage levels as necessary. The Trustees are currently reviewing this arrangement.

The Trustees believe that holding the above funds will meet the long-term objectives of the Scheme and maintain sufficient diversification of the investment portfolio.

The Trustees will also hold cash or liquid assets as required to meet the future payments that are expected to be made to Scheme members. Cash may also be held pending investment in other asset classes.

The Trustees accept that the investment strategy will not provide a perfect hedge against the Scheme's expected liabilities. Furthermore, as there are many factors such as life expectancy that cannot be controlled by investment strategy, the Trustees accept that there is expected to be volatility of the Technical Provisions Funding level.

Appendix 2 – Incentivisation Policies

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.	• 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 Trustees policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective. • The Scheme's holdings with Partners Group are also subject to a performance related fee.
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 monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • 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 the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed periodically to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	• The holding period of the arrangements is considered in the context of the type of fund the Scheme invests in.

	◦ For closed-ended funds or funds with a lock-in period, the Trustees ensure the timeframe of each investment or lock-in is in line with the Trustees' objectives and Scheme's liquidity requirements. ◦ For open-ended funds, the holding periods are flexible, and the Trustees will regularly review the appropriateness of these investments and whether they should continue to be held.
Voting Policy - How the Trustee expects investment managers to vote on its behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. • The Trustees, via their investment advisers, aim to engage with managers about 'relevant matters' at least annually.