Terex Pension Scheme
Statement of Investment Principles

1. Scope of Statement

This Statement of Investment Principles (the "Statement") has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. A separate document, the Investment Policy Implementation Document ("IPID"), detailing the specifics of the Scheme's investment arrangements is available upon request.

The effective date of this Statement is September 2023. The Trustee will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

2. Consultations Made

As required by the Act, the Terex Pension Scheme Trustee ("the Trustee") has consulted with Terex GB Limited ("the Employer") prior to writing this Statement and have considered their recommendations and will take the Employer's comments into account when they believe it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Terex Pension Scheme ("the Scheme"). They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Hewitt Ltd who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed, is available to the members of the Scheme and will be published on a publicly accessible website.

3. Objectives and Policy for Securing Objectives

The primary objectives of the Trustee are:

- "funding and security objective" - to ensure that the Scheme is fully funded using assumptions that are in line with those used to assess the solvency position, within a reasonable timeframe (by April 2029), excluding the allowance for expenses. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;

- "stability objective" - to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and

- "de-risking objective" – to reduce the allocation to growth assets like equities and, property and increase the allocation to liability matching assets such as government bonds and investment grade credit as the Scheme approaches buyout.

The Trustee recognises that these objectives may conflict. For example, a greater allocation to more defensive liability matching assets may give greater security but may result in a level of contributions which the employer may find too difficult to support. The Trustee also recognises that in resolving this conflict, it is necessary to accept some risk.

4. Risk

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustee will take advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the Employer covenant are assessed by Aon's covenant assessment team on an ongoing basis. The Trustee will also assess any events that have the potential to alter the creditworthiness of the Employer. In particular, the Trustee will take note of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and Employer-related Notifiable Events. If the Trustee believes that the creditworthiness of the Employer has been affected they will re-consider the continued appropriateness of the Scheme's existing investment strategy. The Trustee may also deem it necessary to receive independent advice on the above matters and have undertaken this as part of the Scheme's triennial valuation discussions.

The Trustee monitors the risks arising through the selection or appointment of fund managers on an annual basis via an investment monitoring report prepared by their professional advisers. The Trustee has appointed Aon to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee acknowledges that investment manager returns achieved outside the expected deviation (positive or negative) relative to a performance benchmark may be an indication that the investment manager is taking a higher level of risk than indicated.

5. Focus on Asset Allocation Strategy

The Trustee recognises that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation.

They therefore retain responsibility for setting asset allocation, and take expert advice as required from their professional advisers.

The Trustee believes the most appropriate means of determining asset allocation is by consideration of the relationship between the Scheme's assets and liabilities following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). Therefore, as a minimum the asset allocation is reviewed once every three years. Each year the Trustee will also informally review the investment strategy based on the liability position at the last formal triennial actuarial valuation updated to the present in an approximate way.

The asset allocation for all sections of the Scheme as shown in the IPID was implemented after considering the written advice from the Scheme's professional advisers during 2023.

A full range of available asset classes is considered. The choice of asset allocation strategy is designed to ensure that the Scheme's investments are adequately diversified and provide a suitable match to the liabilities where appropriate. The Trustee monitors the strategy regularly to ensure that they are comfortable with the level of diversification and matching being achieved.

6. Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the objectives of the Trustee.

The assets of the Scheme are to the Trustee's best knowledge invested in the best interests of the members and beneficiaries. The Trustee has received independent advice from their professional advisers in order to assist them in the decision making process.

The Trustee exercises powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Day to day selection of stocks is delegated to investment managers who have been appointed by the Trustee. The Trustee takes expert advice when reviewing and selecting investment managers.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are therefore independent of the Employer.

8. Expected Returns on Assets

Over the long-term the expectations of the Trustee are:

- for the 'growth' assets (global equities and property etc), to achieve a return which exceeds by a significant margin the increase in retail price inflation over the same period. The Trustee is willing to incur short-term volatility in growth asset price behaviour with the expectation that over the long-term growth assets will outperform the other major asset classes.

- for the 'liability matching' assets (matching profile funds and investment grade credit bonds, cash, etc) to achieve a rate of return which is at least in line with changes in the cost of providing fixed income and inflation linked annuities.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustee in consultation with their advisers and fund managers.

9. Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the in-specie transfer of underlying holdings of stocks, bonds etc. in pooled funds or the sale of units in pooled funds).

10. Social, Environmental or Ethical Considerations

The Trustee acknowledges that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

The Trustee considers that factors such as ESG issues (including but not limited to climate change) will be financially material for the Scheme over the length of the period of time, expected to be until the end of the agreed recovery plan, during which the investments of the Scheme are expected to be de-risked so that the Scheme is funded on a low risk basis.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to consider corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.

- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a quarterly basis.

- The Trustee will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on an annual basis. Should the Scheme look to appoint a new manager, where relevant and appropriate, the Trustee will request this information as part of the selection process. All responses will be reviewed and monitored with input from the Scheme's investment adviser.

Stewardship: Voting and Engagement

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee delegates primary responsibility for its corporate engagement activities to the Scheme’s Investment Managers. The Trustee believes that the Investment Managers are best placed to monitor and engage with investee companies. Monitoring and engagement (either by the Scheme’s investment managers or the Trustee itself) may be undertaken on any matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

For voting and engagement activities concerning the Scheme’s sponsoring company, the Trustee avoids actual or potential conflicts of interest by relying on the Scheme’s investment managers’ own policies.

From time to time, the Trustee will review the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders.

The Trustee regularly reviews the suitability of the Scheme's appointed investment managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in the policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change. This will include HRMSL monitoring its underlying asset managers' voting and engagement activities, and engaging with these managers to promote good corporate governance, accountability, and positive change.

The Trustee will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant (20%), votes were abstained; voting differed from the voting policy of either the Trustee or the investment manager.

The Trustee accepts responsibility for how their appointed managers steward assets on their behalf, including the casting of votes in line with each appointed manager's individual voting policy.

The Trustee does not currently directly participate in collaborative engagements, although it does not exclude the possibility of such collaborations in future. The Trustee allows the Scheme's investment managers to participate in such collaborations.

Members' Views and Non-Financial Factors

The Trustee does not specifically take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations) in the selection, retention and realisation of investments. The Trustees will review its policy towards this on an annual basis.

11. Arrangements with Investment Managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their investment adviser.

The Trustee shares the policies, as set out in this Statement, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express their expectation to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

12. Monitoring of Investment Manager Costs

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustee receives cost transparency reports from their adviser in conjuction with ClearGlass (on at least a triennial basis), whom the Trustee has engaged with to collect Scheme information. These reports present information in line with prevailing regulatory requirements for investment managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the investment managers appointed by the Trustee;
- The amount of portfolio turnover costs (transaction costs) incurred by investment managers;
  - The Trustee defines portfolio turnover costs as the costs incurred in buying,selling, lending or borrowing underlying securities held within the funds of the investment managers;
- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc)
- The impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The investment managers monitor the level of portfolio turnover (defined broadly as the amount of purchases plus sales).

- possible;

13. Evaluation of Investment Manager Performance and Remuneration:

The Trustee assesses the (net of all costs) performance of their investment managers on a rolling three-year basis against the Scheme's investment objectives, taking account of both financial and non-financial objectives, as set out in this SIP. The Trustee believes that this broad assessment, in the context of total costs (not just headline manager fees) is the most effective way to evaluate manager performance.

14. Effective Decision Making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustee also recognises that where investment decisions are taken, the Trustee must have sufficient expertise and appropriate training to be able to evaluate critically any advice taken. Where appropriate the Trustee will maintain and develop knowledge by way of training from both advisers and fund managers.

15. Additional Voluntary Contributions ("AVCs") Arrangements

Some members have obtained further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

16. Timing of Periodic Review

The Trustee will review this Statement and the Scheme's investment strategy each year and additionally whenever they believe there to be a significant change in the Scheme's circumstances.

Agreed for and on behalf of Trustee Solutions Limited as Trustee of the Terex Pension Scheme.