Statement of Investment Principles – The Premdor Crosby Pension Plan  
(September 2019)

Introduction

1 This document is the Statement of Investment Principles (’SIP’) adopted by the Trustee of The Premdor Crosby Pension Plan (the ‘Plan’) in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Plan’s Scheme Actuary and Investment Consultant (Towers Watson Limited) and consulted Masonite International Corporation (the ‘Employer’). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

3 The Plan’s Scheme Actuary and Investment Consultant has been provided with a copy of this statement.

Division of responsibilities

4 Trustee

The Trustee’s responsibilities include:

a. Reviewing annually the content of this Statement of Investment Principles and for modifying it if deemed appropriate, in consultation with the Plan’s Scheme Actuary and Investment Consultant.

b. Reviewing the investment policy following the results of each actuarial review, in consultation with the Plan’s Scheme Actuary and Investment Consultant.

c. Appointing the investment manager(s).

d. Assessing the quality of the performance and processes of the investment manager(s) by means of regular, but not less than annual, reviews of the investment results and other information, in consultation with the Plan’s Scheme Actuary and Investment Consultant.

e. Consulting with the employer when reviewing investment policy issues.

f. Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

g. Consideration and selection of an appropriate “default fund” for the Defined Contribution section investments of the Plan.
Investment Manager(s)

The investment manager(s) responsibilities include:

a. At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selection of securities within each chosen asset class.

b. Informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the Plan as and when they occur.

Scheme Actuary

The Scheme Actuary's responsibilities include:

a. Liaising with the investment consultant on the suitability of the Plan's investment strategy given the financial characteristics of the Plan.

b. Assessing the funding position of the Plan in respect of the Scheme Specific Funding requirements (SSFR) and advising on the appropriate response to any shortfall.

c. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

Defined Contribution Section Members

Members of the Plan's Defined Contribution section have the option of choosing their own investment. However, if members decide not to make their own fund selection, then their contributions and those made by their Employer on their behalf will be invested accordingly in the "default fund" selected by the Trustee.

Defined Benefit Section

Plan objectives

To maintain securely a portfolio of assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the employer, the cost of current and future benefits which the Plan provides, as set out in the Trust Deed and Rules. In seeking to achieve this objective, the Trustee is mindful of the need to:

- take account of current market conditions when positioning the portfolio at any time
- limit the risk of the assets failing to meet the liabilities both over the long term and in relation to its Statutory Funding Objective in the short-term
- to minimise the long term costs of the Plan by maximising the return on the assets whilst having regard to the objective shown above.

The Trustee will review this performance objective regularly and amend as appropriate.
Investment strategy

10 The Trustee has received advice to determine an appropriate investment strategy for the Plan. The Trustee has a desire to diversify its risk exposures and to manage its investments efficiently.

11 The Trustee's policy is to seek to achieve its objective through investing in a suitable mixture of real and monetary assets, including but not limited to assets that provide a better match to changes in liability values and a diversified range of return-seeking assets. The Trustee recognises that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more variable. A mixture across asset classes should nevertheless provide the level of return required by the Plan to meet is liabilities, at an acceptable level of risk for the Trustee and an acceptable level of cost to the employer.

12 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Plan's investment objective.

13 The existing target strategy chosen by the Trustee is as follows:

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK equities</td>
<td>30.0</td>
</tr>
<tr>
<td>Overseas equities</td>
<td>20.0</td>
</tr>
<tr>
<td>UK Index-linked gilts</td>
<td>12.5</td>
</tr>
<tr>
<td>UK Fixed-interest gilts</td>
<td>25.0</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

14 The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

15 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Scheme Actuary (and Investment Consultant), the appropriateness of its investment strategy.
The expected return of an investment will be monitored regularly and will be directly related to the Plan’s investment objective. The 10 year best-estimate real expected returns (annualised) based on the Towers Watson Investment Model as at 31 March 2013 are shown below.

<table>
<thead>
<tr>
<th>10 year central real returns relative to CPI/RPI</th>
<th>31.03.13 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Inflation (RPI)</td>
<td>3.0</td>
</tr>
<tr>
<td>UK Inflation (CPI)</td>
<td>2.2</td>
</tr>
<tr>
<td>UK Cash relative to CPI/RPI</td>
<td>0.0/-0.8</td>
</tr>
<tr>
<td>UK long-dated gilts relative to CPI/RPI</td>
<td>-0.5/-1.2</td>
</tr>
<tr>
<td>UK index-linked gilts (20 years) relative to CPI/RPI</td>
<td>-1.2/-1.9</td>
</tr>
<tr>
<td>UK all investment grade relative to CPI/RPI</td>
<td>0.8/0.1</td>
</tr>
<tr>
<td>UK long-dated AA bonds relative to CPI/RPI</td>
<td>0.5/-0.2</td>
</tr>
<tr>
<td>UK equities relative to CPI/RPI</td>
<td>3.9/3.2</td>
</tr>
<tr>
<td>Global equities (hedged into £) relative to CPI/RPI</td>
<td>4.5/3.7</td>
</tr>
<tr>
<td>Global equities ex UK (hedged into £) relative to CPI/RPI</td>
<td>4.5/3.7</td>
</tr>
<tr>
<td>Global equities ex UK (unhedged) relative to CPI/RPI</td>
<td>4.7/3.9</td>
</tr>
</tbody>
</table>

The Trustees' policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible. The Trustee, together with the Plan's administrators, will hold sufficient cash to meet benefit and other payment obligations.

The choice of the benchmark is designed to ensure that the Plan's investments are adequately diversified by asset class. Adequate diversification within asset classes is principally the responsibility of the investment manager.

**Defined Contribution Section**

The Trustee's objective is to make available to members of the DC Section an appropriate range of investment options to which members and the employers will contribute in order to provide a fund which will be used to secure members' benefits at retirement.

In determining which investment options to make available, the Trustee considered the investment risk associated with DC pension investment. This risk can be expressed as the uncertainty of the ultimate amount of savings available on retirement, the majority of which will be used to purchase an annuity to provide retirement benefits. There are a number of factors which contribute to this uncertainty. Some of them (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members.

The Trustee recognises, however, that the uncertainty inherent in three specific investment risks (inflation, capital and pension conversion) can be managed to a limited extent by the choice of investments.

It is the Trustee's policy that a "default" fund should be made available for those members who do not wish to make the investment decision themselves.
Fees are deducted from the underlying investments of the investment funds and reflected in the unit price.

The investment manager chosen at the current time is Legal & General Investment Management Limited and a list of funds that are currently offered is shown below:

- Consensus Index
- Global Equity 60:40 Index
- UK Equity Index
- World (ex UK) Index
- North America Index
- Europe (ex UK) Index
- Over 15 Year Gilts Index
- Cash

The funds offered in the DC Section were selected by the Trustee following consideration of the funds’ objectives and investment process, expected returns, risks and other characteristics, and the Trustee’s views of the needs and circumstances of the membership. The Trustee realises that while no single option will be sufficient to manage the various risks associated with DC investment as described previously, the range is designed to be wide enough to enable individuals to manage risks identified as they become relevant, according to each member’s individual requirements.

Investment managers

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Plan competently.

The Trustee is not involved in the investment managers’ day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will assess performance on a regular basis against a measurable objective for each manager, consistent with the achievement of the Plan’s long term objectives, and an acceptable level of risk.

The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

Sustainable Investments

The Trustees recognise that a company’s long-term financial success is influenced by a range of factors including sustainable factors such as (but not limited to) those arising from Environmental, Social, and corporate Governance (ESG) considerations, including climate change, and have undertaken training to understand more about Sustainable Investments and
how investors incorporate Sustainable Investments in their decision making. The Trustees need to ensure a proportionate approach is adopted given the wider investment considerations they have to take into account and the small size of the Plan.

30 Whilst it is the Trustees' preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is to act in the best financial interest of the members of the Plan. Therefore, the Trustees' policy is that the extent to which ESG considerations issues may have a financial impact on the portfolio will be taken into account by their investment manager(s) in the exercise of their delegated duties. However, the Trustees via its selection and oversight of its investment managers, seeks to indirectly encourage the companies in which the Plan invests to adopt sustainable business practices and high standards of corporate governance and has carried out work to understand their existing manager's policy on Sustainable Investments.

31 The Trustee accepts that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the investment managers. The Trustees expect their manager(s) to sign up to their local stewardship code, in-keeping with good practice. The Trustees will monitor the activities of all of their managers from time to time but appreciates that its applicability may be limited for certain asset classes. These matters are kept under review by the Trustees In consultation with their investment consultant and investment managers.

32 As the Trustees' focus is explicitly on financially material considerations the Trustees' policy at this time does not take into account of non-financially material considerations.

Other matters

33 The Plan is a Registered Pension Plan for the purposes of the Finance Act 2004.

34 The Plan provided a facility for members to pay AVCs into the Plan to enhance their benefits at retirement. In keeping with its policy for the main assets, the Trustee's policy is to allow members to invest in a suitable mixture of real and monetary assets.

Risk Management

35 The Trustee recognises a number of risks involved in the investment of the Plan's assets and continues to monitor them:

- **Deficit risk:**
  - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
  - is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

- **Manager risk:**
  - is measured by the expected deviation of the return relative to the benchmark set.
  - is managed through the ongoing monitoring of the investment managers' actual deviation of return relative to the objective and factors supporting each investment
managers' investment process.

- **Liquidity risk:**
  - is measured by the level of cashflow required by the Plan over a specified period.
  - is managed by the Plan's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

- **Currency risk:**
  - is measured by the level of exposure to non-Sterling denominated assets.
  - is managed by limiting the level of such exposure to only a portion of its equity portfolio and therefore through the level of diversification within the existing policy.

- **Interest rate and inflation risk:**
  - is measured by comparing the likely movement in the Plan's liabilities and assets due to movements in inflation and interest rates.
  - is managed by holding a portfolio of fixed and index-linked bonds that enable the Plan's assets to better-match movements in the value of the liabilities due to inflation and interest rates.

- **Political risk:**
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.

- **Sponsor risk:**
  - is measured by receiving regular financial updates from the Employer.
  - is managed through an agreed contribution and funding schedule.

Autheorised for and on behalf of the Trustee of the Plan

Signed by: .................................................................
Print Name: .................................................................
Print Title:  .................................................................
Date: 31 Oct 2019