The Emerson UK Pension Plan

Statement of Investment Principles

July 2024

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This document constitutes the Statement of Investment Principles applicable to The Emerson UK Pension Plan (”the Plan”) covering the DB Segregated Section, the EBCO Segregated Section and the DC Segregated Section.

Part I) relates to the defined benefits provided under the Defined Benefit (“DB”) Segregated Section and the EBCO Segregated Section
Part II) relates to the Defined Contribution (“DC”) Segregated Section, plus the DC benefits provided under the DB Segregated Section and the EBCO Segregated Section

PART II) - DEFINED CONTRIBUTION SAVINGS

PART I) - DEFINED BENEFIT SECTIONS

INTRODUCTION

This document constitutes the Statement of Investment Principles (“the Statement”) applicable to the DB benefits provided under the DB Segregated Section and the EBCO Segregated Section (“the Sections”).

The Sections provide retirement and death benefits for Plan members (“the Members”).

The Sections’ benefits are provided from a pension fund of assets (“the Fund”) which is held under the legal control of the Plan’s Trustee (“the Trustee”) under a trust constituted between the Principal Company, Emerson Holding Company Limited (“the Company”), and the Trustee.

The purpose of this Statement is to document those investment principles, guidelines and procedures which are appropriate for the Sections, in a manner conforming to the Pensions Act 1995 as amended (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee is responsible for all aspects of the operation of the Fund including this Statement. The operation of the Fund affects the overall cost of the Sections and the annual level of contributions.

Any party providing services in connection with the operation of the Fund shall accept and adhere to this Statement. However, the Trustee recognises that its contractual relationship with its Investment Managers and Custodian is governed by the terms of the particular Investment Management or Custodian Agreements.

TRUSTEE OBJECTIVES

DB Segregated Section

The Trustee’s duty is to act in the Members’ best interests.

The current funding target adopted for the DB Segregated Section is to aim for the value of the assets to be at least equal to the value of the liabilities on the Technical Provisions basis.

The current investment strategy for the DB Segregated Section was determined with reference to the long-term nature of the liabilities of the Sections. The Trustee regularly considers whether the investment strategies of the Sections meet the objective of controlling the risk of insolvency at an appropriate level.

EBCO Segregated Section

The EBCO Segregated Section of the Plan entered into a bulk annuity contract ("buy-in") with Just Group plc ("Just") in December 2021 which covers all of the Section's members. This was converted to a buy-out whereby individual annuity policies are issued to each member in December 2023. The Trustees now have the objective to wind up the Section.

ASSET ALLOCATION

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. This may include the use of pooled funds managed by an insurance company or companies. Under Section 36 of the Pensions Act 1995 (as amended), such investments are termed direct investments and are classed as retained investments. It is therefore the Trustee's policy to obtain appropriate advice regarding the suitability of such investments on a regular basis. In each case, the Investment Manager(s) shall provide the skill and expertise necessary to manage the investments of the Sections competently.

Investment may be made directly or via pooled investment funds subject to the Trustee's prior approval and the Trustee's principle of ensuring sufficient diversification of investment. The Trustee will determine at what intervals it feels appropriate to receive formal advice on the continued suitability of its investments, in accordance with the Pensions Act 1995 (as amended). This will usually be on an annual basis.

The Custodian of the Plan is The Northern Trust Company.

A review of the DB Segregated Section's investment strategy was undertaken by WTW during 2021 and into early 2022. The result of this review was a decision to de-risk the Section's Strategic Asset Allocation ("SAA") to 10% equities and 90% Fixed Income and implement a Liability Driven Investment ("LDI") mandate to protect funding level volatility, alongside a 5% allocation to alternative credit managed by TWIM, which replaced a credit fund previously managed by BlackRock.

During the second half of 2022, the Trustee reviewed the underlying allocations within Fixed Income in order to be more aligned with the insurer pricing. The Trustee made the decision to increase the Plan's allocation to Corporate Bonds within the Fixed Income portfolio to 30%, by investing 20% of the Section's assets into a long dated corporate bond fund to be managed by BlackRock. During Q1 2024, and following a disinvestment from an overweight position in the Alternative Credit mandate, the overall portfolio hedge ratio target was increased to target hedging 100% of the Section's liabilities (on a Gilts flat discount rate basis) of interest rate and inflation risk.

The Section's SAA can be seen below. Assets are managed by three Investment Managers, as shown below:

Asset Classes	**Investment Managers**	**Strategic Allocation**
Equities		**10%**
Global Equities	Legal & General Investment Management	10%
Fixed Income		**90%**
Corporate Bonds	Legal & General Investment Management and BlackRock Advisors UK Limited	30%
Alternative Credit	Towers Watson Investment Management	5%
Liability Driven Investments	Black Rock Advisors UK Limited	55%
		100%

The actual asset allocation is reviewed quarterly in order to maintain the allocation close to the above strategy.

In order to mitigate the currency risk introduced as a result of the investment in the global equities portion of the assets, approximately 50% of the developed overseas equities managed by Legal & General Investment Management are passively hedged back to Sterling. This currently results in hedging approximately 90% of the entire currency exposure back to Sterling.

The DB Segregated Section also holds a number of buy-in contracts, which were transferred to the Plan together with the assets of a number of legacy schemes:

- Chloride section - a buy-in policy with Prudential in respect of a number of Chloride section pensioners.
- Fisher Controls section - an annuity contract with Prudential providing monies to the Plan in order to pay pensions to some of the pensioners of the Fisher Controls section.
- Astec section – partly insured pensions paid as part of the monthly pension payroll, for which monies are received by the Plan from Aviva.
- Legacy Valves & Controls Sections – the Trustee holds annuity contracts with Winterthur Life, Reassure, and Phoenix Life providing monies to the Plan to pay pensions to some of the pensioners of the legacy Valves & Controls sections.

PERFORMANCE BENCHMARK

The Trustee has set performance benchmarks for the Investment Managers against which they are measured, as shown below:

DB Segregated Section Performance Benchmarks		
Investment Managers	**Asset Classes**	**Benchmarks**
Legal & General Investment Management	Global Equities	50% FTSE All World Index 50% FTSE All World Index GBP Hedged
Legal & General Investment Management	Corporate Bonds	50% Markit iBoxx £ Non-Gilts (ex-BBB) Over 15 Years Index

		50% Markit iBoxx £ Non-Gilts Over 15 Years Index
BlackRock Advisors UK Limited	Corporate Bonds	Markit iBoxx £ Non-Gilts Over 15 Years Index
Towers Watson Investment Management	Alternative Credit	N/A
BlackRock Advisors UK Limited	BlackRock LDI	N/A
Total Fund		Aggregate index weighted by strategic allocation

A performance benchmark is not applicable for the EBCO Segregated Section following entering into the buy-in policy (and subsequent buyout) with Just.

EXPECTED RETURN

Based on the strategic allocation and the performance objectives, the Trustee's risk and return expectations are set out below. These expected returns are sourced from the WTW 2021 investment strategy review of the DB Segregated Section.

The Trustee has decided to pursue passive management as far as possible.

As part of the investment strategy review, the overall asset portfolio of the DB Segregated Section is expected to return 0.9% p.a. in excess of gilt returns. The returns assumed for the asset classes as at 30 September 2022 are below.

Asset Classes	Expected Return relative to Gilts (%p.a)*
Global Equities (Hedged)	3.9%
Global Equities (Unhedged)	3.7%
UK Investment Grade Credit	1.7%
Alternative Credit	4.2%
Index-linked Gilts (long dated)	-0.25%
Fixed interest Gilts (long dated)	0.1%

*assumptions are as at the date of the last update to the Section's strategy (30 September 2022) and relate to expected 10-year median return relative to the Section's gilts flat liability benchmark under WTW's standard assumption set.

For this purpose, expected means a 50:50 chance of being higher or lower than the figure in the table.

RISK

The Trustee recognises that the investment of assets in financial markets results in an exposure to risk. Risk takes many forms.

- **Solvency risk and mismatching risk** – is principally the risk that the assets of the Sections are insufficient to cover members' benefits as and when they fall due. Contributing to this is the likelihood of the funding level dropping below an acceptable level and the implications of the Sections investing in assets that do not mimic the movement in the value of the Sections' liabilities. This is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies and through ongoing triennial actuarial valuations. These are used to determine the benchmark and asset ranges with the Investment Manager.
- **Manager risk** – is the risk that the Investment Manager will not achieve the rate of investment return expected by the Trustee. This is measured and monitored through the selection process of managers and the ongoing monitoring of each manager.
- **Liquidity risk** – is the risk that either there will be insufficient short term cash holdings to pay the Sections' outgoings or that cash holdings are set at such a level they affect the overall investment performance of the Sections. This is also the risk that the level of collateral within the LDI portfolio is unable to support the Section's derivative-based exposures. The Trustee, together with the Sections' administrators, measure and manage the level of cash held in order to limit the impact of cash flow requirements on the investment policy. The Trustee also monitors the level of available collateral on a quarterly basis, and ensures the Section's LDI manager has a prudent level of assets to support any derivative exposures.

- **Custodial risk** – is the risk that the assets are not safeguarded appropriately or that the administration is not undertaken properly. For pooled vehicles, the Investment Managers are responsible for selection of suitable custodians. The Trustee has selected Northern Trust Company as custodian for the assets. The Trustee monitors Northern Trust Company on an ongoing basis. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- **Political risk** – is the risk of an adverse influence on investment values from political intervention and is managed by the diversification of the assets across many countries. It is measured by the level of concentration in any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- **Sponsor risk** – is the possibility that, for some reason, the Participating Employers are unable to support the continuation of the Sections and to make good any current or future deficits. It is measured by the extent of the sponsor's legal and financial ability to support the continuation of the Sections and to make good any current or future deficit. It is managed by assessing the interaction between the Sections and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.
- **Counterparty risk** – is the risk that the Insurer could fall insolvent and not be able to meet the terms of the Plan's annuity contracts. This is mitigated by industry protections (Financial Services Compensation Scheme) and the due diligence carried out by the Trustee in selecting an appropriate insurer and the ongoing monitoring framework in place.
- **Environmental, Social and Governance ("ESG") (including climate change) risk** – is the potential for non-financial factors to adversely impact the value of the assets or overall funding position. This is managed as part of the regular (at least annually) monitoring of the portfolio to ensure ESG risks are being appropriately considered in ongoing investment decisions.

The Trustee continue to monitor the investment risks that both Sections face, which is reviewed regularly.

MONITORING

The Trustee expects the Investment Managers always to maintain appropriate monitoring systems to ensure compliance with this Statement and any relevant Investment Manager agreements. However, the Trustee will also monitor the performance and the composition of the Sections' investments. In particular, this monitoring normally includes:

- monthly independent performance measurement from Northern Trust; and
- regular meetings with the Investment Managers.

The Trustee shall review the nature of the Sections' investments frequently and consider all relevant factors in determining whether this Statement and the associated risks remain appropriate.

The Trustee has appointed a Finance and Investment Sub-Committee and has engaged WTW as consultant to assist in fulfilling its monitoring responsibilities.

DIVERSIFICATION

Risk of price fluctuations within asset classes and the uncertainty of future economic and investment scenarios dictate that prudent diversification be undertaken. The degree of diversification required will depend on the nature of each asset class.

INVESTMENT RESTRICTIONS

The investment restrictions imposed on the Investment Managers are described within each investment management agreement. The Trustee's expectations for risk and return set out above take account of the current investment restrictions for each manager contained in the agreements.

CASH FLOW MANAGEMENT

The Trustee regularly considers the likely cash flow position of the Fund and determines whether investment or disinvestment will be required. Procedures are adopted to manage the cash flow position.

The Trustee will, when possible, provide the Custodian and Investment Managers with reasonable notice of future cash needs. The Custodian and Investment Managers may act only on written instruction containing the original signatures of two authorised signatories as set out in the Investment Management and Custodian Agreements.

The Trustee will advise the Custodian and Investment Managers of any additions or deletions of authorised signatories when they occur.

CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

The Trustee in consultation with its advisers, considers financially material ESG risks and opportunities, including climate change, as relevant to the Sections' strategy and believes ESG integration is superior to exclusion. However, financial obligation takes precedence over extra financial considerations and as such the Trustee does not always explicitly take account of non-financial matters. The Trustee's policy is to delegate day-to-day investment decisions including integration of financially material ESG risks and opportunities (including climate change) to its Investment Managers or Insurers.

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of and monitor the approach taken by managers with respect to sustainable investing including their approach to ESG integration and stewardship.

The Trustee's policy is to delegate responsibility for exercising of ownership rights (including voting rights) to the Investment Managers or Insurers. The extent to which ESG considerations are taken into account in this engagement policy is left to the discretion of the Investment Manager or Insurer. When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations taking into account the nature of the assets held under the relevant investment mandate, but has identified climate and diversity, equity and inclusion as key areas of focus for the Trustee. The Trustee believes ensuring good stewardship of assets by managers is an important part of the Trustee's fiduciary duty towards members, and ultimately the responsibility of the Trustee themselves, and therefore, intends to monitor the stewardship practices of its managers, with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings, in order to understand how they exercise these duties on their behalf and receive reports on manager practices (covering engagement and voting). The Investment Managers shall maintain a policy on the exercise of voting rights. They shall maintain a record of how voting rights have been exercised and shall affirm to the Trustee that they have complied with their voting rights policy. Where the managers have voted in a manner different from their voting rights policies, the managers shall provide the Trustee with an explanation regarding the rationale for departing from the policies.

The Sections' hold various buy-in policies with Insurers. As the asset is a contract with the Insurer which provides guaranteed amounts in return for a premium paid, the Trustee deem that it is not required to consider the voting practice of Insurer.

INVESTMENT MANAGERS

The Plan may use different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also review the investment objectives and guidelines of any particular pooled vehicle for consistency with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

To maintain alignment, managers are provided with the most recent version of the Plan's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.

Should the Trustee's monitoring processes reveal that an investment fund's objectives and guidelines, or an Investment Manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will engage with the Investment Manager to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible, the Trustee may consider alternative options available in order to terminate and replace the manager.

For most of the Plan's investments, the Trustee expects the Investment Managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may invest in short term strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Plan's allocation to such mandates is determined in the context of the Scheme's overall objectives. The Trustee appoints its Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures would therefore only be used in a limited number of cases.

The Trustee reviews the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

REVIEW OF STATEMENT

This document shall be reviewed at least every three years, and without undue delay following any significant change in investment policy. Such review and reasons for a review shall take into account:

- a fundamental change in the benefits provided by the Sections;
- significant revisions to the expected long-term trade-off between risk and reward on key asset classes;
- a major change in the membership/liability distribution or the contribution/expense expectation;
- a significant shift in the Trustee's and/or the Company's attitude to risk;
- shortcomings of the Statement that emerge in its practical application; and
- applicable changes in legislation.

The Investment Manager structure, the Investment Managers and the Custodian shall be reviewed at such time as considered necessary.

PART II) - DEFINED CONTRIBUTION SAVINGS

INTRODUCTION

This section of the document constitutes the Statement of Investment Principles ("the Statement") applicable to the DC Segregated Section, Additional Voluntary Contributions (AVCs) and Personal Retirement Accounts (PRAs) ("the DC savings"). It has been prepared in accordance with Section 35 of the Pensions Act 1995 ("the Act"), including the amendments laid down in the Pensions Act 2004. Before preparing this document, the Trustee has consulted the employer and the Trustee will consult the employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

In drawing up this document, the Trustee has sought advice from WTW, the Plan's investment consultant ("Investment Consultant"). The Trustee will review this document when the Trustee considers a review is needed or after any significant change in investment policy. Before preparing this document the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in its investment policy. The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

When choosing investments, the Trustee and the Investment Managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 and in the principles contained in this Statement.

The DC Segregated Section's benefits are provided on a money purchase (defined contribution) basis for individual Plan Members ("the Members"). The DC Segregated Section's assets are held under the legal control of the Plan's Trustee, under a trust constituted between the Company and the Trustee. The operation of the DC Segregated Section is governed by the Definitive Trust Deed and Rules dated 20 June 2012 and any subsequent Deeds of Amendment.

The purpose of this section of the Statement is to document those investment principles, guidelines and procedures that are appropriate for the DC Segregated Section, in accordance with the Trustee's investment powers and permitted investments under the Trust Deed and Rules.

The Trustee is responsible for all aspects of the operation of the DC Segregated Section including this Statement. The Company has confirmed in writing to the Trustee that it has been consulted regarding the contents of this Statement as required by the Act.

This Statement will be regularly reviewed in accordance with the Act. To ensure compliance 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 appointed Investment Managers. The Investment Managers shall be authorised under the Financial Services and Markets Act and shall provide the skill and expertise necessary to manage the investments of the DC Segregated Section competently.

The Trustee has carried out an assessment of the DC Segregated Section against the Pensions Regulator's ("TPR") Code of Practice 13: The DC Code, updated in 2016 and aims to comply with the code where possible. In addition, the Trustee is considering TPR's General Code of Practice and will look to focus on relevant areas, where appropriate, to ensure it fully complies with the Code when published.

INVESTMENTS

Investment Objectives

The Trustee is obliged to act in the Members' best interests. One of the Trustee's primary objectives for the DC Segregated Section therefore is to make available appropriate investment options to Members.

In determining which investment options to make available, the Trustee, with advice from its Investment Consultant, has considered the investment risk associated with defined contribution pension investment. This risk relates to the uncertainty in the ultimate amount of savings available on retirement to provide the Member's retirement benefits (lump sum, annuity or drawdown). There are a number of factors which contribute to this uncertainty. Some of these factors (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, pension conversion and manager) can be managed to a limited extent by the choice of investments. These risks and the Trustee's objective for each risk are considered under the following headings:

Inflation Risk

The risk that the investment returns over Members' working lives will not keep pace with inflation. The Trustee's objective is to provide an investment option that is expected to provide a long-term rate of return that exceeds inflation. Such an option would largely consist of "diversified growth" or "equity-type" investments.

Capital Risk

The risk of a fall in the value of a Member's fund, particularly if a Member is close to retirement.

The Trustee's objective is to provide an investment option that offers a very low risk of capital loss. A money market fund is an example of such an option.

Pension Conversion Risk

The risk that the value of a Member's account does not reflect the change in the cost of their chosen at retirement action (be that purchasing an annuity at retirement, taking a lump sum or opting for drawdown).

The Trustee's objective is to provide an investment option that broadly matches each member's chosen retirement action (annuity purchase, lump sum withdrawal or drawdown). The DC Segregated Section has three lifestyles in place, one targeting income drawdown (default option), one targeting annuity purchase and one targeting lump sum at retirement.

Manager risk

The risk that the chosen Investment Manager does not perform in line with the objectives against which the manager is assessed.

The Trustee's objective is to regularly monitor the performance of chosen Investment Managers and take action if necessary.

Trade-Off between Risks

The relative importance of inflation, capital and pension conversion risk depends on the length of time to retirement and each Member's attitude to risk and expected return. Managing pension conversion and capital risks is important near retirement, whereas the inflation risk should be far more important to younger Members.

It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in a money market fund will give significant protection against a decrease in fund values (capital risk), but will increase the risk of the investment returns not keeping up with inflation (inflation risk). This is often referred to as "opportunity cost risk".

Member Investment Options

Based on the Trustee’s objectives for the DC Segregated Section as described previously, the Trustee has selected a range of investment options for Members through a platform offered by Legal & General (L&G).

Diversification

The range of funds below was chosen to allow Members to achieve an adequate level of diversification. As the DC Segregated Section invests via pooled funds, the Trustee is not in a position to ensure the assets are diversified within asset classes. However, the co-mingling of the DC Segregated Section’s pooled fund assets with those of other pension schemes increases each manager’s ability to diversify the portfolio and this issue will feature in the selection criteria for new managers and monitoring process for ongoing managers and funds.

Suitability

The Trustee has taken advice from their Investment Consultant to ensure the funds offered are suitable for the Members.

Liquidity and realisation of investments

The Trustee’s policy is to delegate the asset allocation mix to the appointed investment managers (including the allocation to illiquid investments where the manager believes this will improve the longer-term overall risk/return characteristics of the fund). The Trustee will monitor this and consider the ongoing appropriateness of such funds in conjunction with their investment advisers. The Trustee require these funds to be sufficiently liquid to allow them to be realised readily and typically daily dealt.

The default lifestyle investment strategy indirectly invests a small allocation in illiquid assets via the underlying diversified growth fund which is the underlying fund in the current EUKPP Diversified Fund. The allocation to illiquid investments within this underlying fund is modest and is at the discretion of the investment manager. It may include private market credit, global private equity, infrastructure and property. Members in the default lifestyle investment strategy will be 100% invested in the EUKPP Diversified Fund between 10 and 5 years prior to their selected retirement date, at which point their holdings are gradually switched to the EUKPP Fixed-Interest Bond Fund and EUKPP Cash Fund to achieve a 65% EUKPP Diversified / 10% EUKPP Fixed-Interest Bond / 25% EUKPP Cash allocation at retirement. The Trustee considers this to be appropriate in terms of the risk and return profile for the EUKPP Diversified Fund and the default lifestyle strategy.

An investment strategy review is underway and investing further in illiquid assets will be considered in that review from the perspective of changes to the expected risk / return. Investing in illiquid assets further would also need to be considered from a governance, cost and practicality perspective.

Investment Options

Following advice from the Trustee's Investment Consultant, the Trustee has decided to implement the following fund range:

Fund Name (white-labelled)	**Underlying fund**	**Objective**
EUKPP Global Equity Fund	L&G MSCI ACWI Adaptive Capped ESG Index Fund	To provide long-term capital growth in excess of UK price inflation whilst considering the approach companies take to ESG issues
EUKPP UK Equity Fund	L&G UK Equity Index Fund	To provide long-term capital growth in excess of UK price inflation.
Fund Name (white-labelled)	**Underlying fund**	**Objective**
EUKPP World (ex-UK) Equity Fund	L&G World (ex-UK) Equity Index Fund	To provide long-term capital growth in excess of UK price inflation.
EUKPP Shariah Global Equity Fund	HSBC Islamic Global Equity Index Fund	To provide long-term capital growth in excess of UK price inflation whilst investing in accordance with Islamic principles.

EUKPP Diversified Fund	LGIM Diversified Fund	To provide long-term capital growth in excess of UK price inflation through exposure to a diversified range of asset classes whilst aiming for lower capital risk than an equity fund.
EUKPP Fixed-Interest Bond Fund	L&G Pre-Retirement Fund	To mitigate against pension conversion risk (for fixed annuities).
EUKPP UK Corporate Bond Fund	L&G AAA-AA-A Corporate Bond – All Stocks – Index Fund	To provide a combination of growth and income.
EUKPP Inflation-Linked Gilts Fund	L&G Over 5 Year Index-Linked Gilts Fund	To invest in UK government debt that pays interest linked to UK inflation. This fund may also help to mitigate against pension conversion risk (for indexed annuities).
EUKPP All Stocks Gilts Fund	L&G All Stocks Gilts Index Fund	To invest in UK government debt. This fund may also help to mitigate against pension conversion risk (for fixed annuities).
EUKPP Cash Fund	L&G Cash Fund	To protect the capital value investment.

While no single option will be sufficient to manage the various risks associated with defined contribution investment as described previously, the range is expected to be wide enough to enable individuals to manage the risks identified as they become relevant, according to each Member's individual criteria.

Expected Risk and Return of Investments

The investment options given above involve investment in the following assets and have the below risk and expected return characteristics:

a. Equities – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.

b. Diversified assets – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities over time.

c. Bonds – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term.

d. Cash – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.

Lifestyle

The Trustee has decided to offer three lifestyle options to Members, each targeting a different at retirement portfolio. A lifestyle is such that a Member's investments are automatically switched between funds as the Member approaches retirement to reflect the changing nature of the risks described previously.

If Members do not indicate which funds they wish their contributions to be invested in, contributions will automatically be invested in line with the default lifestyle strategy.

The default lifestyle strategy targets income drawdown at retirement (after allowing for 25% tax-free cash) and provides an asset allocation at retirement split 65% in the EUKPP Diversified Fund, 10% in the EUKPP Fixed-Interest Bond Fund and 25% in the EUKPP Cash Fund. To ensure assets in the default lifestyle arrangement are invested in the best interests of members and beneficiaries, the Trustee periodically assesses the risk profile of the membership to be able to understand their likely retirement decisions. This assessment was last undertaken at the end of 2020, with the changes being implemented in March 2022. The current investment review is underway and began at the end of 2023.

The Annuity Lifestyle targets annuity purchase at retirement (after allowing for 25% tax-free cash) and provides an asset allocation at retirement split 75% in the EUKPP Fixed-Interest Bond Fund and 25% in the EUKPP Cash Fund.

The Lump Sum Lifestyle targets 100% in the EUKPP Cash Fund at retirement.

Charts showing the glidepath of each of the three lifestyles are provided in Appendix A.

The Members have the option to invest their contributions into any of the funds listed above in any proportions if they do not wish to invest in any of the three lifestyle options.

The Trustee has set the managers the investment objectives of performing in line with the relevant indices or achieving targeted performance returns, depending on whether they are passively managed single assets or diversified funds. The performance of each fund is measured against appropriate benchmarks.

The managers are paid fees based on the market value of the assets under management. All of the arrangements utilise pooled vehicles, and consequently the Trustee has no control over the fee structure. However, the managers’ fee scales and structures are taken into consideration when reviewing and selecting managers.

Risks

The Trustee recognises that the investment of assets in financial markets results is an exposure to risk. Risk can be defined in a number of ways. The key risks for Members' investments were highlighted at the beginning of this section.

The Trustee will maintain a suitably diverse range of funds, which in turn are considered to be appropriately diverse within their specific objectives. To minimise the risk of any one particular investment having a substantial effect on the DC Segregated Section's overall investment performance, the Trustee invests the assets in pooled funds, ensuring Members' investments can achieve sufficient diversification and that investments may be readily realisable.

Additional Voluntary Contributions

The Plan historically allowed Defined Benefits members to save for additional pension benefits through contributions into an Additional Voluntary Contribution (AVC) arrangement or Pension Retirement accounts (PRAs). These investments are money purchase benefits but are in the DB Segregated Section of the Plan.

All are invested in the same funds as used by the DC Segregated section, albeit in segregated policies with LGIM.

POLICY MONITORING AND REVIEW

Review of the Statement

The Trustee will review this document when the Trustee considers a review is needed or after any significant change in investment policy. Such a review and reasons for a review shall take into account:

- significant revisions to the expected long-term trade-off between risk and reward on key asset classes;
- changes in the regulations for the taking of benefits at retirement;
- a major development in the investment products available;
- changes to the managers used;
- shortcomings of the Statement that emerge in its practical application;
- applicable changes in legislation; and
- underperformance by the Investment Managers.

Monitoring Investment Arrangements

The Trustee requires the Investment Managers and platform provider to maintain appropriate monitoring and reporting structures to ensure compliance with any relevant Investment Manager agreements. The Trustee will monitor the performance and the composition of the DC Segregated Section's assets. Furthermore, the Trustee will monitor factors (such as each manager's internal processes and staff movements) which may impact the performance of the DC Segregated Section's assets in the future. In particular, this monitoring will normally include:

- quarterly performance measurement relative to indices and other similar funds; and
- meetings with the platform provider.

The investment management structure and the Investment Managers shall be reviewed periodically and at such time as considered appropriate.

The Trustee shall regularly review the nature of the funds in which the DC Segregated Section is invested and consider all relevant factors in determining whether the associated risks and funds highlighted in this Statement remain appropriate.

Corporate Governance and Socially Responsible Investment

The Trustee in consultation with its advisers, considers financially material ESG risks and opportunities, including climate change, as relevant to the DC Segregated Section's strategy and believes ESG integration is superior to exclusion. However, financial obligation takes precedence over extra financial considerations and as such the Trustee does not always explicitly take account of non-financial matters. The Trustee's policy is to delegate day-to-day investment decisions including integration of financially material ESG risks and opportunities (including climate change) to its Investment Managers.

When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of and monitor the approach taken by managers with respect to sustainable investing including their approach to ESG integration and stewardship.

The Trustee's policy is to delegate responsibility for exercising of ownership rights (including voting rights) to the Investment Managers. The extent to which ESG considerations are taken into account in this engagement policy is left to the discretion of the Investment Manager. However the Trustee believes ensuring good stewardship of assets by managers is an important part of the Trustee's fiduciary duty towards Members and intends to monitor the stewardship practices of its managers, with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings, in order to understand how they exercise these duties on their behalf and receive reports on manager practices (covering engagement and voting). The Investment Managers shall maintain a policy on the exercise of voting rights. They shall maintain a record of how voting rights have been exercised and shall affirm to the Trustee that they have complied with their voting rights policy. Where the managers have voted in a manner different from their voting rights policies, the managers shall provide the Trustee with an explanation regarding the rationale for departing from the policies.

Investment Managers

The Plan may use different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also review the investment objectives and guidelines of any particular pooled vehicle for consistency with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee’s policies, where relevant to the mandate.

To maintain alignment, managers are provided with the most recent version of the Plan’s Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.

Should the Trustee’s monitoring processes reveal that an investment fund’s objectives and guidelines, or an Investment Manager’s approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee’s policies, the Trustee will engage with the Investment Manager to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible, the Trustee may consider alternative options available in order to terminate and replace the manager.

For most of the Plan’s investments, the Trustee expects the Investment Managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may invest in short term strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Plan’s allocation to such mandates is determined in the context of the Scheme’s overall objectives. The Trustee appoints its Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan’s assets. When assessing a manager’s performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager’s appointment based purely on short term performance. However, a manager’s appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

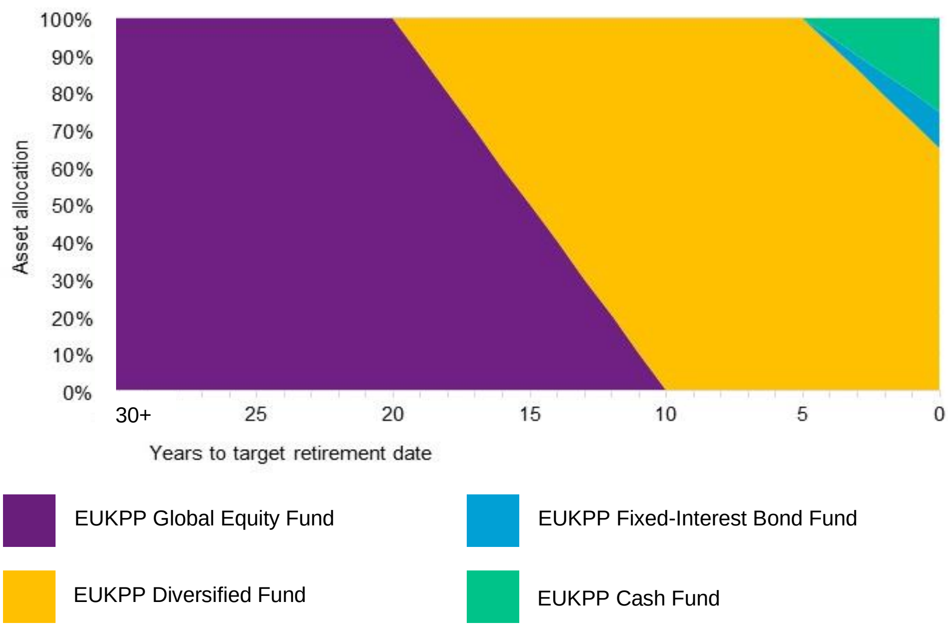
Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures would therefore only be used in a limited number of cases.

The Trustee reviews the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

APPENDIX A – LIFESTYLE SWITCHING MATRIX

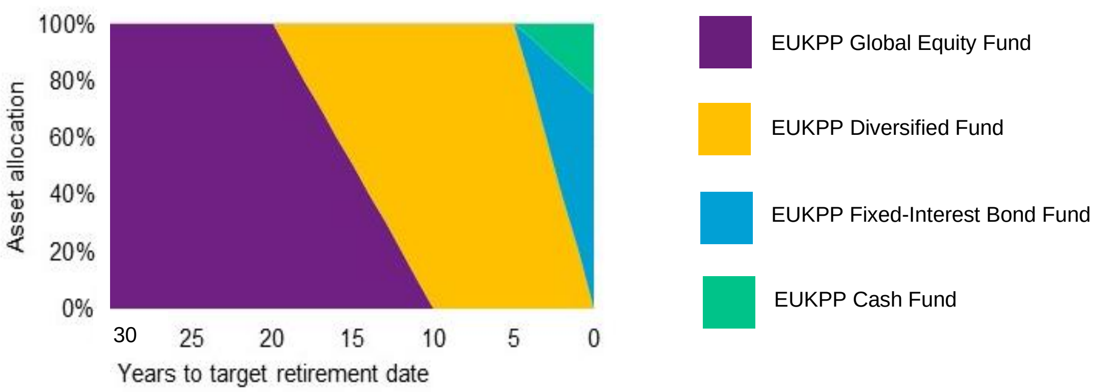
The glidepath of each Lifestyle option is provided below.

Lifestyle 1 – Drawdown Lifestyle (default)



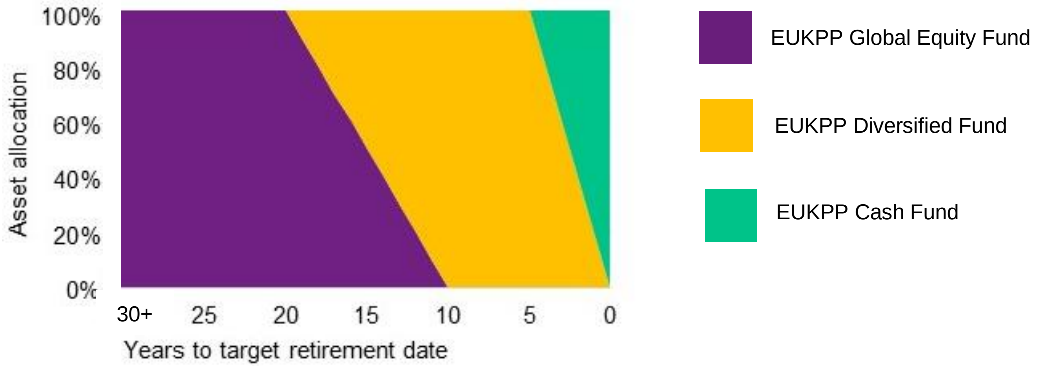
The chart shows the percentage distribution of a Member's account between the various funds over time periods up to a Member's target retirement date. During the early growth phase the Member’s account is 100% invested in the EUKPP Global Equity Fund. Twenty years prior to retirement, the Member’s account begins to de-risk into the EUKPP Diversified Fund. Five years prior to retirement, the EUKPP Fixed-Interest Bond Fund and EUKPP Cash Fund is introduced, with the allocation at retirement being 25% in the EUKPP Cash Fund, 10% in the EUKPP Fixed-Interest Bond Fund and 65% in the EUKPP Diversified Fund.

Lifestyle 2 – Annuity Lifestyle



The chart shows the percentage distribution of a Member's account between the various funds over time periods up to a Member's target retirement date. During the early growth phase the Member’s account is 100% invested in the EUKPP Global Equity Fund. Twenty years prior to retirement, the Member’s account begins to de-risk into the EUKPP Diversified Fund. Five years prior to retirement, the EUKPP Fixed-Interest Bond Fund and EUKPP Cash Fund is introduced, with the allocation at retirement being 25% in the EUKPP Cash Fund and 75% in the EUKPP Fixed-Interest Bond Fund.

Lifestyle 3 – Lump Sum Lifestyle



The chart shows the percentage distribution of a Member's account between the various funds over time periods up to a Member's target retirement date. During the early growth phase the Member’s account is 100% invested in the EUKPP Global Equity Fund. Twenty years prior to retirement, the Member’s account begins to de-risk into the EUKPP Diversified Fund. Five years prior to retirement, the EUKPP Cash Fund is introduced, with the allocation at retirement being 100% in the EUKPP Cash Fund.

The Trustee recognises that one option will not be suitable for all Member circumstances and so has selected to offer these 3 lifestyle options. Members may also self-select from the range of funds set out on page 19 and 20.

APPENDIX B – DIVISION OF RESPONSIBILITIES

Investment Managers and Platform Provider

The Investment Managers' and/or platform provider's responsibilities include:

- For the active manager at its discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class. For the passive managers, tracking the relevant benchmark return within an appropriate tracking error.
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to their portfolios.
- Informing the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the DC Segregated Section and managed by the Investment Manager or an associated company.
- Providing the Trustee with quarterly statements of the assets and factsheets on the underlying funds.
- Ensuring that the underlying funds are priced correctly.
- Reviewing the continued structural suitability of the underlying funds.

Investment Consultant

The role of the Investment Consultant is to give advice to the Trustee in the following areas:

- the formulation of an efficient governance structure particularly in the light of guidance from TPR.
- the regular updating of the Statement of Investment Principles.
- the development of a clear investment strategy for the DC Segregated Section.
- the construction of an overall investment management structure that meets the objectives of the Trustee.
- the selection and appointment of appropriate investment management organisations.

- the Consultant's current views of the Investment Managers employed by the DC Segregated Section.
- commentary on investment performance and risk taken by the Investment Managers.
- trustee education.
- general advice in respect of the DC Segregated Section's investment activities.