DRAKA UK PENSION PLAN – UK & COMTEQ SECTIONS
STATEMENT OF INVESTMENT PRINCIPLES

MARCH 2022

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustee of Draka UK Pension Plan – UK and Comteq Sections (“the Plan/s”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plans and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by their Investment Adviser, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments;
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee’s investment policy for the Plans.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustee's primary investment objective for the Plans is to ensure the Plans' assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plans as they arise. In addition, the Trustee also considers the following as investment objectives:

- To return the Plans funding level to 100% of the projected past service liabilities and then to maintain this funding level;
- To maximise investment returns subject to an acceptable level of risk, and by doing so, to minimise the level of contributions required of the employer; and
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Plans.

The Trustee believes that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

3 INVESTMENT RESPONSIBILITIES

3.1. TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the Investment Manager and Investment Adviser
- The assessment and review of the performance of each underlying investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Plans at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Plans
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed Mercer as the independent investment adviser to the Plans. Mercer provides advice as and when the Trustee require it, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which Mercer expects to provide advice to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustee may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustee regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks. Mercer will provide performance-monitoring reports to aid the Trustees in this process.

Mercer makes a fund based charge for the services it provides as set out in its investment agreement with the Trustee. Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Plans that might affect the impartiality of their advice, and any discounts negotiated by Mercer/Mobius Life (the platform provider) with the underlying managers are passed on in full to the Plans.

The Trustee is satisfied that this is the most appropriate adviser remuneration structure for the Plan.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3. ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis.

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The Trustees look to their investment advisor for their forward-looking assessment of a manager's ability to deliver to targets over a full market cycle. This view will be based on the investment advisor's assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular fund that the Scheme invests in.

Where the assets of the Scheme are invested in multi-client pooled funds, the Trustees accept that they cannot specify the risk profile and/or return targets of the fund, however such pooled funds are chosen having considered the Scheme's requirements in order to align with the overall investment strategy and the Trustees' objectives.

The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plans. None of the underlying managers in which the Plans' assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustee therefore considers that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee accepts that it cannot influence the charging structure of the pooled funds in which the Plan is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

The Trustee has determined their investment strategy after considering the Plans' liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustee has also received written advice from their Investment Adviser.

The basis of the Trustee's strategy is to divide the Plans' assets between a "growth" portfolio, comprising assets such as diversified growth funds and multi asset credit funds, and a "stabilising" portfolio, comprising assets such as government bonds and liability driven investments ("LDI"). The growth-stabilising allocation is set with regard to the overall required return objective of the Plans' assets, which is determined by the funding objective and current funding level. In addition, the Plans' requirement for liquidity will also be considered when setting the strategic asset allocation. Thus, the Trustee regards the basic distribution of the assets to be appropriate for the Plans' objectives and liability profile. The initial allocations are set out in Appendix 1.

The Trustee has established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2. INVESTMENT DECISIONS

The Trustee distinguishes between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Plans.

The Trustee takes all such decisions themselves. They do so after receiving written advice from their Investment Adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Plans benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Plans are invested.

4.3. TYPES OF INVESTMENTS TO BE HELD

The Trustee is permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability Driven Investment ("LDI") products
- Cash

All the funds in which the Plans invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustee has appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustee to commit the resources necessary to make these decisions themselves.

4.4. FINANCIALLY MATERIAL CONSIDERATIONS

In setting the investment strategy, the Trustee has prioritised assets which provide protection against movements in the Plans' liability value and also assets which provide diversification across a wide range of investment markets and considers the financially significant benefits of these factors to be paramount.

The Trustee understands that they must aim to consider all financially relevant factors in making investment decisions on behalf of the Plans. However, they will also aim to consider any non-financial factors to the extent that they have the ability to impact the financial results of the Plans' investments over the duration of the Plans.

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Plans' portfolio and it is therefore in members' and the Plans' best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated, as best as possible.

The Trustee believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put

ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustee is aware of its investment managers' approaches to ESG factors with respect to their selection of investments and is satisfied that a responsible approach, which is consistent with the long-term financial interests of the Plans and their members, is undertaken. As noted earlier, the Plans' assets are invested in pooled funds. The Trustee accepts the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustee will therefore rely on the policies and judgement of their investment manager.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

4.5. NON-FINANCIAL CONSIDERATIONS

The Trustee's objective is that the financial interests of the Plans members are its first priority when choosing investments.

It has decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Plans are invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the Plans' investment managers. The Trustee expects the investment managers to use their discretion to act in the long-term financial interests of investors and exercise these rights in accordance with their respective published corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee notes that the investment managers' corporate governance policies are available on request and on their respective websites.

If the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee would exercise its right in accordance with what it believes to be the best interests of the majority of the Plans' membership.

5 RISK

Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Plans over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plans' assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Plans' investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available to the Trustee and take into account the financial interests of the shareholders, which should ultimately be to the Plans' advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plans and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plans 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 sponsor. Regular updates on employer covenant are provided to the Trustee by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Plans invest in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Plans' holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in MAC / ARB funds with diversified portfolios and by investing in LDI funds with sound collateralisation and risk management procedures.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk; currency risk, interest rate risk and other price risk.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, it may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- This risk is managed by investing a large proportion of the Plans' growth assets in DGFs. Within the DGFs the management of currency risk related to overseas investments is delegated to the underlying investment managers. However, the DGFs have a Sterling benchmark and by investing in a diversified investment portfolio, the impact of currency risk is mitigated.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustee recognises that the Plans' liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the Plans' assets to be exposed to a similar level of interest rate risk. The Trustee manages the Plans' interest rate risk by considering the net risk when taking account of how the liabilities are valued.
- The Trustee has invested into LDI funds, which provide a significant level of protection against movements in interest rates.

Other Price risk

- This is the risk of volatility that principally arises in relation to the return seeking assets.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and has therefore invested a large proportion of the Plans' return seeking assets in DGFs in order to achieve a diversified exposure to different investment markets and manage this risk.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Plans' assets.
- The Trustee manages this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.

- The Trustee has built an annual review of ESG developments into its business plan as part of which it will review the Investment Adviser's scoring of its managers.
- The Trustee is aware that Responsible Investing is one of the core beliefs of the Investment Manager and the Investment Adviser. As a result part of the rating process of the Investment Adviser and decision making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1. INVESTMENT ADVISER

The Trustee continually assesses and review the performance of their Investment Adviser in a qualitative way.

6.2. INVESTMENT MANAGERS

The Trustee receives monitoring reports on the performance of the underlying investment managers from Mercer on a quarterly basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The reporting reviews the performance of the Plans' individual funds, against their benchmarks, of the Plans' assets in aggregate against the Plans' strategic benchmark and also of the development of the Plans' assets relative to their liabilities.

When considering replacing managers, a long-term perspective is adopted, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will be made to the underlying managers however if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

6.3. PORTFOLIO TURNOVER COSTS

The Trustee does not currently monitor portfolio turnover costs for the funds in which the Plans are invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Plans invest in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for the Plans.

The Trustee is working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Plans are invested and will include further information about this when next updating the SIP.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions

Both of the Plans previously provided a facility for members who pay Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement. Members were offered a range of funds in which to invest their AVCs with Aberdeen Standard (formerly Standard Life) and Equitable Life.

The Trustee is of the opinion that the type and range of facilities described above is suitable to provide for the requirements of the Plans' members in any of the circumstances likely to arise.

The AVC facility is now closed to future accrual.

8 CODE OF BEST PRACTICE

The Trustee notes that in March 2017, the Pensions Regulator released ‘Investment Guidance for Defined Benefit Pension Schemes’.

The Trustee has received training in relation this guidance and is satisfied that the investment approach adopted by the Plans is consistent with the guidance so far as it is appropriate to the Plans’ circumstances.

The Trustee meets with its investment adviser on a regular basis, monitoring developments both in relation to the Plans’ circumstances and in relation to evolving guidance, and will revise the Plans’ investment approach if considered appropriate.

9 COMPLIANCE

The Plans' Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Plans' current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plans' investment managers, the Plans' auditors and the Scheme Actuary, as well as being available on the Sponsoring Employer's website.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on 16 March 2022.

APPENDIX 1: BENCHMARK ASSET ALLOCATION

The Plans' initial strategic asset allocation benchmark are set out below:

Draka UK Pension Plan – UK Section

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**63.0**	**+/-**
Diversified Growth	50.0	7.5
Multi Asset Credit	13.0	5.0
Quasi-Growth Assets	**8.0**	**+/-**
Equity-Linked LDI	8.0	5.0
Matching Assets	**29.0**	**+/-**
UK Gilts	18.0	5.0
Nominal LDI	11.0	5.0
Total Assets	**100.0**	

Draka UK Pension Plan – Comteq Section

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**60.0**	**+/-**
Diversified Growth	50.0	7.5
Multi Asset Credit	10.0	5.0
Quasi-Growth Assets	**10.0**	**+/-**
Equity-Linked LDI	10.0	5.0
Matching Assets	**30.0**	**+/-**
UK Gilts	20.0	5.0
Real LDI	2.0	2.0
Nominal LDI	8.0	5.0
Total Assets	**100.0**	

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Plans and from income from the Plans' investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Plans' central benchmark asset allocations, as set out in Appendix 1. For both Plans, the allocation to Real LDI and Nominal LDI should be exempted wherever possible, as both provide strategic stability to the Plans' liabilities.

The Trustee will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Plans' cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Plans invest with JLT IM, whose key responsibility it to appoint suitable investment managers to each of the mandates within the Trustee's agreed investment strategy as set out in Appendix 1. The tables below show the details of the mandate(s) with each manager.

DEFINED BENEFIT MANAGER DETAILS

Manager / Fund	Benchmark	Objective	Dealing Frequency
Growth Assets			
Threadneedle Multi Asset Fund	UK BoE Base Rate	To outperform the benchmark MSCI Emerging Markets Index by 2.3% to 4.3% p.a. (net of fees) over 3-year rolling period.	Daily
Nordea Diversified Returns Fund	Overnight SONIA	To outperformance the SONIA +3.3% per annum.	Daily
Ninety One Global Total Return Credit Fund	Overnight SONIA	To outperformance the SONIA +3.5% per annum.	Daily
Quasi-Growth Assets			
BMO Equity Linked LDI	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time and provide exposure to global equity via derivatives	Daily
Matching Assets			
LGIM Over 15 Year Index-Linked Gilt Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 15 Years index	To track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three	Daily
BMO Nominal Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time	Daily
BMO Real Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time	Daily