

# **The Simpson International (UK) Ltd Pension Plan (the “Plan”) Statement of Investment Principles (the “Statement”)**

## **1. Scope of Statement**

This Statement of Investment Principles ("the Statement") has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 30 April 2025. The Trustees will review this Statement and the Plan's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

The Appendices to this Statement contain further detail of the investment strategy, and may be updated from time to time without updating this Statement.

## **2. Consultations made and parties involved**

The Trustees have consulted with the employer prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Plan. They have obtained and considered written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice was provided by Aon Investments Limited ("Aon") who are authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to the members of the Plan.

The Trustees invest the Plan's assets with Legal & General Investment Management ("LGIM") and Aon Investments Limited ("AIL") as their investment managers (the "Managers"). LGIM manage the Plan's assets in liability matching funds and a sterling liquidity fund. AIL invest a range of funds which can include multi-asset, multi-manager arrangements. References in this policy to 'underlying investment managers' refers to those investment managers which LGIM and AIL in turn appoint, directly or indirectly, to manage investments on behalf of the Trustees.

The day-to-day management of the Plan's assets has been delegated to the Managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement is available to the Managers and the members of the Plan upon request.

## **3. Objectives**

The funding objective is set in relation to the liabilities of the cash flows that are required to be met from the Plan in each future year. In each future year the cash flow is made up from a mixture of pensioners' and (current) non-pensioners' benefits.

The funding objective is based on a risk free measure of liabilities. The risk free measure used is based on yields on fixed interest rate and inflation linked UK government bonds ("gilts").

The Plan's current funding objective is described in Appendix 1 to this Statement.

The Plan's investment objective is for the assets of the Plan to generate sufficient return to meet the funding objective, while minimising the risks to the extent possible.

## **4. Choosing investments**

This Statement sets out the Trustees' policies for securing compliance with section 35 of the Pensions Act 1995.

The types of investments held and the balance between them is adjusted as necessary to match the Trustees' objectives.

The assets of the Plan are invested in the best interests of the members and beneficiaries and in the case of a potential conflict of interest in the sole interests of members and beneficiaries.

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

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

Assets held to cover the Plan's liabilities are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan, but recognising also the return requirement in order to meet the funding objective.

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

## **5. The balance between different kinds of investments**

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation, and take expert advice as required from their professional advisers. A broad range of available asset classes is considered.

The Plan has an allocation to growth funds ("the Growth Portfolio") and an allocation to liability hedging funds ("the Hedging Portfolio") based on geared fixed interest gilts and index-linked gilts. Within this structure:

- The allocation to assets within the Growth Portfolio is set so that the expected return, together with the planned contributions is expected to be sufficient to meet the funding objective to be fully funded on the long-term funding basis by 2030. The Growth Portfolio is diversified across asset classes and managed actively between asset classes.
- The Hedging Portfolio's asset profile is selected to provide protection against movements in interest rates and inflation. The Hedging Portfolio will be tailored to match the liability cash flows as far as is practically possible and will use geared fixed interest gilt and index-linked gilt funds to extend the hedging characteristics where appropriate. Further details are enclosed within the Appendix.

The Trustees believe the most appropriate means of setting their investment objectives is through asset and liability modelling, which is carried out following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way). Therefore as a minimum the objectives and the parameters used to set asset allocation are reviewed once every three years.

Details of the Plan's funding objective are described in the Appendix to this Statement. Details of the Growth and Hedging portfolios are also described in the Appendix to this Statement.

## **6. Expected returns on assets**

The Matching portfolio is expected to move in a way that matches the sensitivity of the liabilities to interest rates and inflation.

The Growth Portfolio is expected to deliver a return in excess of the Plan's liabilities. At the date of this Statement, the target return of the Plan is Liabilities + 1.5%.

## **7. Monitoring**

The Trustees monitor the performance of the assets on a quarterly basis via investment monitoring reports prepared by its investment adviser, Aon, at the Trustee meetings.

Regular checks are made as to whether the funding and investment strategy remains on target to achieve the original funding objective, and within acceptable parameters. If not then corrective action is considered, by adjusting investment policy, or through amendments to the contribution plan.

Risks associated with changes in the employer covenant are assessed by various means. The Trustees have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer - in particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. The Trustees also monitor the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy).

## 8. Custody

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

## 9. Realisation of investments/liquidity

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

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

## 10. Responsible Investment Considerations

In setting the Plan's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk when selecting managers and when monitoring their performance.

**Environmental, Social and Governance considerations:** As part of the ongoing decision making and monitoring of the Managers that is delegated to Aon by the Trustees. Environmental, Social and Governance ("ESG") ratings assigned by Aon are used to help monitor the integration of ESG by the Managers.

**Initiatives and industry collaboration:** Aon are signatories of the UN Principles for Responsible Investment ("UN PRI" or the "Principles"). The Principles are a voluntary set of global best practices that aim to provide a framework for integrating environmental, social and corporate governance issues into financial analysis, investment decision-making and ownership practices. The UN Principles for Responsible Investment are voluntary and aspirational.

## 11. Arrangements with the Managers

The Trustees have appointed Legal & General Investment Management ("LGIM") and Aon Investments Limited ("AIL") as their investment managers. References in this policy to 'underlying investment managers' refers to those investment managers which LGIM and AIL in turn appoint, directly or indirectly, to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with its Managers, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the Managers are incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustees receive quarterly reports and verbal updates from their investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assesses the Managers over rolling 3- and 5-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by the Managers, which supports the Trustees in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Managers and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustees regularly monitor the Plan's investments to consider the extent to which the investment strategy and decisions of the Managers are aligned with the investment objectives of the Plan. This includes monitoring the extent to which the Managers:

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

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

The Trustees believe that having appropriate governing documentation, setting clear expectations to the Managers, and regular monitoring of the Managers' performance and investment strategy, is sufficient to incentivise the Managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

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

The Trustees have not set a duration for arrangements with Managers, although their continued appointment is reviewed periodically, and at least every 3 years.

## **12. Costs and Performance**

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

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The investment adviser monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

**Evaluation of performance and remuneration:** The Trustees evaluate the performance of their investment managers relative to their respective objectives on a regular basis via investment monitoring reports and updates from the investment manager. The Trustees also review the remuneration of the investment managers on at least an annual basis to assess value for money and to ensure that these costs are reasonable in the context of the kind and balance of investments held.

## **13. Stewardship - Engagement and the Exercise of the Rights Attaching to Investments**

The Trustees recognise the importance of its role as a steward of capital and the need to assess all financially material risks in its investment decision making process. This includes risks associated with climate change, as well as other ESG-related factors. To this end, the Trustees strive to maintain a high standard of governance, promotion of corporate responsibility and respect of environmental factors throughout the Plan's portfolio. The Trustees believe that doing so ultimately creates long-term financial value and reduces risk for the Plan and its beneficiaries.

The Trustees carefully review the Managers' approach to stewardship, and other ESG-related matters, and communicates its expectations and standards to the Managers. These standards include:

- The Trustees expect the Managers to be signatories to the PRI.
- The Trustees expect the Managers to be signatories to the UK Stewardship Code.

- The Trustees expect the Managers to ensure that, where appropriate, underlying investment managers use their influence as major institutional investors to exercise the Plan's rights and duties as a shareholder.

The Trustees expect the Managers to provide adequate transparency around stewardship activities, including an annual report on the stewardship activities of the underlying managers. The Trustees will engage with the Managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Plan members on request.

The Trustees have delegated all voting and engagement activities to the Managers. The Trustees accept responsibility for how the Managers steward assets on their behalf, including the casting of votes in line with each Manager's individual voting policies. The Trustees rely on Aon to review the Managers' voting and engagement policies and activities on an annual basis.

As part of their delegated responsibilities, the Trustees expect the Managers to:

- monitor and engage with underlying managers, including prospective underlying managers, on the extent to which they exercise voting rights (where appropriate) in relation to the Plan's assets; and
- report to the Trustees on stewardship activity by underlying managers as required.

Managers are expected to vote at company meetings and engage with companies on the Trustees' behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Manager. Furthermore, where voting is concerned, the Trustees expect underlying managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees review the Managers' stewardship activities on an annual basis to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustees do so to ensure that the Managers act in a manner that is consistent with the Trustees' policies and objectives. If a Manager is found to fall short of the standards set by the Trustees, it is expected to provide satisfactory explanation. While the Trustees may seek to engage with the Manager, if it is deemed to be falling short of its standards and we are unable to reach a more sustainable position, it may result in a decision to replace it.

In line with its commitment to transparency and disclosure, the Trustees report their responsible investment activities to the Plan's stakeholders on an annual basis within the Trustee's report and accounts.

The Trustees may engage with the Plan's Managers, who in turn are able to engage with underlying managers or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned. This will take the form of annual reporting and follow up meetings, where necessary, from the Managers. Such reporting will be made available to Plan members on request.

Should the Trustees' monitoring process reveal that an underlying manager's voting and engagement policies and actions are not aligned with the Trustees' expectations, the Trustees will engage with the Managers, via different medium such as emails and meetings, to discuss how alignment may be improved to bring about the best long-term outcomes for the Plan.



# The Simpson International (UK) Ltd Pension Plan (the “Plan”) - Appendices to the Statement of Investment Principles

## Appendix 1 – Objective and strategy

### Funding objective

The funding objective of the Plan is as follows:

- To be fully funded by 2030 on a Gilts +0% basis

### Target asset allocation

The allocation of the Plan assets between the Growth Portfolio and Matching Portfolio depends on the funding position of the Plan. At the date of this Statement the target return is Liabilities + 1.5% and 100% target hedge ratio, as a percentage of funded liabilities (assets).

The Plan’s current strategic asset allocation is shown in the table below:

Fund Name	Target Allocation
Aon Active Global Fixed Income Strategy	15%
Aon Active Diversifiers Strategy	25%
Aon Global Impact Equity Strategy	10%
Aon Core Diversifiers Strategy	8%
LGIM Matching Core Fixed Short Fund	42%
LGIM Matching Core Fixed Long Fund	
LGIM Matching Core Real Short Fund	
LGIM Matching Core Real Long Fund	
LGIM Sterling Liquidity Fund	

The Trustees will monitor the actual asset allocation versus the target weightings set out in the above table. The agreed target asset allocation is expected to deliver a return in the region of Gilts + 1.5% over the longer-term, noting this is subject to change with changes in market conditions.

The Plan’s allocation to the Aon funds forms the Growth Portfolio which aims to deliver the excess return required to meet the target return for the Plan as detailed above.

The Hedging Portfolio is managed by LGIM and changes from time to time based on:

- The advice of the investment adviser and Plan Actuary on the portfolio required to match the liabilities.
- The target hedge ratio, which is subject to the expected return requirement. This will constrain the available capital that can be used to hedge the liabilities with an appropriate level of leverage.
- The target hedge ratio is also based on the views of the Trustees on the advice from the investment adviser.
- The managers' use of discretion.

- Changing market conditions.
- The expected cashflows of the Plan.

The current hedge ratio target is 100% of funded liabilities (assets).

The Hedging Portfolio will comprise primarily fixed income securities, inflation-linked securities, money market securities and collective investment vehicles that invest in the foregoing instruments.

Derivatives may be used to create leverage within the Hedging Portfolio and the Hedging Portfolio may also be invested in collective investment schemes that use derivatives to create leverage. The overall degree of underlying leverage in the Hedging Portfolio will vary with market movements.

## Appendix 2 – Investment Management Arrangements

The following describes the mandates given to the fund managers:

Fund	Benchmark	Target
Aon Active Global Fixed Income Strategy	SONIA	To outperform the benchmark by 2% p.a. over a market cycle
Aon Active Diversifiers Strategy	HFRI FoF Conservative Index (GBP Hedged)	To outperform (net of fees) the benchmark
Aon Global Impact Equity Strategy	Hedged share class - MSCI World 100% Hedged to GBP Custom Index (Net Total Return)	To achieve long-term returns in excess of the benchmark
	Unhedged share class - MSCI World Index (Net Dividends Reinvested)	
Aon Core Diversifiers Strategy	SONIA	To outperform the benchmark by 2% p.a. over a market cycle
LGIM Sterling Liquidity Fund	SONIA	N/A
LGIM LDI Matching Core Funds	Liability benchmark reflecting a generic pension liability profile	N/A

The objective of the LDI funds is to provide interest rate and inflation risk hedging equivalent to 100% of funded liabilities (assets). This hedging will be reviewed regularly, at least following each triennial valuation.

### Cash balances

The Trustees will run a bank account which holds a working balance of cash, held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Plan's administrator.

### Re-balancing arrangements

The Trustees review the balance of the assets held with LGIM and Aon from time to time to ensure that the allocation and interest rate and inflation hedge ratios remain appropriate for the Plan.

If the allocations are no longer expected to deliver the target return of the Plan, the Trustees will be notified and will consider the appropriate action to be taken.

In the event of the leverage multiple exceeding the upper rebalancing point, the Trustees have instructed and authorised LGIM to surrender units from the LGIM Sterling Liquidity Fund in order to raise sufficient capital to bring the leverage levels within the respective LDI funds affected back to within the required tolerance ranges. LGIM will determine the amount of capital required in order to achieve this overall result as determined by the target allocations shown below.

In the event that the leverage multiple falls below the lower control range limit LGIM will re-invest the excess capital returned to the Scheme into the LGIM Sterling Liquidity Fund.

## **Appendix 3 – Fee structure for advisers and managers**

### **Advisers**

Aon has been selected as investment adviser to the Trustees. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Aon are paid on a fixed fee retainer basis for the regular work they undertake for the Plan although separate fixed fees or budgets may be negotiated by the Trustees for certain projects. Minor work is carried out on a time cost basis. This structure has been chosen to ensure that cost-effective, independent advice is received.

### **Investment managers**

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice.