

S.E.H. EUROPE
RETIREMENT BENEFITS PLAN
STATEMENT OF INVESTMENT
PRINCIPLES

SEPTEMBER 2023

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1 INTRODUCTION

This Statement of Investment Principles (the “Statement”) has been prepared by the Trustees of the S.E.H. Europe Retirement Benefits Plan (the “Plan”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the Plan’s investment policy and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultant, Mercer Limited (“Mercer”), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- 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 Trustees’ investment policy for the Plan.

The Trustees 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 Trustees 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 Trustees' primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are 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 Trustees 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 their investment manager
- The assessment of the risks assumed by the Plan at total Plan and manager level
- The approval and review of the asset allocation benchmark for the Plan
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

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

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Advising on investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees 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 Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

Mercer will advise the Trustees of any significant developments of which it is aware relating to the funds managed by the investment manager in which the Plan is invested. Especially when in Mercer's view there exists a significant concern that any of these funds will not be able to meet their long-term objectives.

Mercer is remunerated primarily on a time-cost basis. Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice. The Trustees believe 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 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed a professional, authorised investment manager to manage the Plans assets.

The investment manager is appointed by the Trustees based on its capabilities and therefore, its perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees will only invest in pooled investment vehicles. The Trustees therefore accept that they cannot specify the risk profile and return targets of the manager's funds, but the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. If a manager/fund is significantly downgraded by Mercer's Manager Research Team, the investment adviser will advise the Trustees and they may replace that manager/fund with a suitable alternative.

The details of each mandate and the basis of the contract between the Trustees and their investment manager is set out in Appendix 3.

In particular, the investment manager is responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

The investment manager engaged by the Trustees is authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA, or both.

The investment manager is remunerated by ad valorem charge based on the value of the assets that it manages on behalf of the Plan. The Trustees believe that this is the most appropriate basis for remunerating the manager.

None of the funds in which the Plan's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating the investment manager 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. By encouraging a medium to long-term view, it will in turn encourage the investment manager to engage with issuers of debt in order to improve their performance in the medium to long-term.

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

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Plan's administrator, so far as they relate to the Plan's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Plan's liability profile and their own appetite for risk, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their investment adviser.

The basis of the Trustees' strategy is to divide the Plan's assets between low risk growth assets (comprising of assets such as asset backed securities and corporate bonds), and hedging assets (comprising liability driven investment ("LDI")).

The basis of the split between these two elements is set with regard to the overall level of risk desired and the required return of the Plan's assets. Thus, the Trustees regard the basic split of the assets to be appropriate for the Plan's objectives and liability profile.

The Trustees have established a benchmark allocation to each asset class, which is set out in Appendix 1.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a suitable approach as set out in Plan's Cashflow Policy document.

4.2 INVESTMENT DECISIONS

The Trustees distinguish 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 Plan.

The Trustees take 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 low risk growth and the hedging assets
- Determining the allocation to asset classes within the low risk growth and hedging assets
- Determining the Plan's 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 Trustees. 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 manager of the pooled funds in which the Plan is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes.

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

4.4 FINANCIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process.

As noted earlier, the Plan's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which its manager invests. However, the ESG policies of the pooled investment manager will be taken into account in the selection of the funds.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the selected funds, however, it embeds such considerations into the management of the funds where it is appropriate to do so.

The Trustees note that the responsible investment policies of its manager are available online at:

- <https://www.insightinvestment.com/investing-responsibly/>

The Trustees have reviewed the responsible investment policies of their manager and concluded that they are appropriate. The Trustees will review the position on an ongoing basis to make sure that their policy evolves in line with emerging trends and developments.

In addition, the Trustees receive ESG scores provided by the investment adviser in relation to the funds in which the Plan is invested and will monitor how these develop over time. The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Plan's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Plan is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment manager and expects the investment manager to use their discretion to act in the long term financial interests of investors.

The Trustees note that the investment manager's corporate governance policies is available on request and on their website.

4.7 STEWARDSHIP

Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustees. If the Trustees have any concerns, they will raise them with Mercer.

The Trustees' policy is to invest with investment managers where responsible investment is embedded appropriately in their approach to investment; including monitoring and engaging with investee companies, and exercising voting rights appropriately.

Information on the investment manager's approach to responsible investment, voting and engagement with the investee companies is available online:

- <https://www.insightinvestment.com/investing-responsibly/stewardship-report-2023/>

Mercer report to the Trustees on ESG considerations on an ad hoc basis and include Mercer's ESG score for the funds in which the Plan is invested. The ESG score incorporates an assessment of engagement and voting as part of the process.

Receipt of this score enables the Trustees to monitor that these scores remain appropriate in the context of the fund mandates.

Taking all the above into consideration, the Trustees are satisfied that stewardship and responsible investment is embedded appropriately in the investment manager's approach to investing.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's membership.

If a new investment manager is selected, the Trustees would consider Mercer's ESG score for the new manager as part of their decision making process.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Plan's investments, including the following:

Under the Pensions Act 2004, the Trustees are required to state their 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 Plan-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 manager's 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.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Plan over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plan's assets are invested in quoted markets and are as readily realisable as the Trustees feel appropriate given the cashflow position of the Plan and the expected development of the Plan's liabilities, both of which are monitored by the Trustees.

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 assessment of the levels of diversification within the investment policy.

Corporate Governance Risk

- This is assessed by reviewing the Plan's investment manager's policy 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 provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Plan's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the Sponsoring Employer to support the continuation of the Plan and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plan and the Sponsoring Employer'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 Sponsoring Employer's business. Regular updates on employer covenant are provided to the Trustees by senior staff of the Sponsoring Employer.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge 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 one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Plan's investment manager takes.

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

- 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, the Plan 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.
- The Trustees acknowledge that currency risk related to overseas investments is hedged by the investment manager where it feels it is appropriate.

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 Trustees acknowledge that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Other Price risk

- This is the risk that principally arises in relation to the low risk growth portfolio.
- The Trustees acknowledge that a Plan can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG Risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Plan's assets.
- The Trustees manage this risk by investing in a well-respected investment manager where ESG principles are appropriately included in the investment decision making process.
- The Trustees are aware that responsible investing is one of the core beliefs of the investment adviser. As a result part of the rating process of the investment adviser 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 Trustees continually assess and review the performance of their adviser in a qualitative way, and undertake a formal review annually. In doing so, the Trustees consider the objectives they set for the investment adviser, which they review on an ongoing basis and at least every three years.

6.2 INVESTMENT MANAGER

The Trustees receive reports on the performance of the Plan's assets, from their investment manager. These present 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).

The Trustees, in conjunction with advice from their investment advisor, have the role of replacing the investment manager/fund where appropriate. They take a long-term view when assessing whether to replace the investment manager/fund, 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 also be made to the investment manager/fund if there is a strategic change to the overall strategy that no longer requires exposure to that manager/fund.

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Plan is invested, although note that the performance monitoring reports which they receive are 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 Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustees have historically provided for AVC facilities to be made available for members.

The Plans' AVC arrangement is provided by Standard Life and a range of unit-linked managed fund options, with-profit funds and a cash fund are made available to members.

The Trustees review the AVC arrangement periodically in line with their responsibilities to the Plan.

8 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Plan's circumstances and in relation to evolving guidance, and will revise the Plan's investment approach if considered appropriate.

9 COMPLIANCE

This Statement is available to members online and supersedes all others.

Approved by the Trustees on: 20 SEPTEMBER 2023

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Plan's initial strategic asset allocation benchmark is set out below.

Manager/Fund	Strategic Allocation (%)
Insight LDI Liquid ABS Holding	22
Insight LDI Short Dated Buy and Maintain Holding	22
Insight LDI Enhanced Selection Longer Nominal	18
Insight LDI Enhanced Selection Longer Real	38
Total	100

NB:

There are no guideline ranges as the actual asset allocation percentages will change as investment market conditions change. The Trustees, along with their advisor, will assess the allocations on an ongoing basis and make adjustments as, and when, they see fit based on the strategic allocations set out above and the magnitude of any deviations from above.

The LDI holdings are designed to hedge the valued placed on the liabilities (interest rate hedge ratio of 90% and an inflation hedge ratio of 90%) on Mercer's solvency basis. Hence, like the liabilities, their values will float as interest and expected inflation rates change. Alterations to the actual percentage allocation may take place from time to time which will be driven by the actual interest and inflation hedge ratios relative to their targets (rather than simply the percentage held).

There is no specific allocation to cash (or cash-like instruments), however, it is anticipated that some may be held from time to time over the short term.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Plan.

Rebalancing Policy

There will be no automatic rebalancing of the portfolio.

Cashflow Policy

Investments and disinvestments are set out in the Plan's Cashflow Policy document.

LDI Recapitalisation

The Trustees note that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds, or may release assets from time to time. The Trustees have put in place a policy regarding this recapitalisation / release procedure with the investment manager.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Plan invests with a suitable investment manager, for each of the mandates within the Trustees' agreed investment strategy as set out in Appendix 1. The table below show the details of each the mandate.

Manager / Fund	Benchmark	Objective/Benchmark	Dealing Frequency	SORP / IFRS Class
Insight LDI Liquid ABS Holding	1 month SONIA (Sterling Overnight Index Average)	The Fund seeks to generate a return for investors mainly through investment in a portfolio of liquid asset backed securities (ABS) and corporate floating rate notes (FRNs) / 1 month SONIA	Daily	Level 2
Insight LDI Short Dated Buy and Maintain Holding	Markit iBoxx GBP Corporates & Collateralized 0-5 years	To generate a return for investors by investing primarily in a portfolio of short dated debt securities / Markit iBoxx GBP Corporates & Collateralized 0-5 years	Daily	Level 2
Insight LDI Enhanced Selection Longer Nominal	The liability profile of a young UK DB pension scheme	To outperform a static allocation to either gilts or swaps over the long-term / 50:50 blend of gilts and swaps	Daily	Level 2
Insight LDI Enhanced Selection Longer Real	The liability profile of a young UK DB pension scheme	To outperform a static allocation to either gilts or swaps over the long-term / 50:50 blend of gilts and swaps	Daily	Level 2

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the investment adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and Scheme Actuary
- Appointing the investment manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the investment manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the investment adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The investment adviser's responsibilities include the following (where relevant):

- Participating with the Trustees in reviews of this Statement
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the investment manager's organisation could affect the interests of the Plan
 - How any changes in the investment environment could present either opportunities or threats for the Plan
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of the investment manager
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGER

The investment manager's responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment manager according to the Trustees' instructions.