

Gates UK Pension Scheme

Statement of Investment Principles

July 2023

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Gates UK Pension Scheme (the 'Scheme'). Capital Cranfield Pension Trustees Limited has been appointed as the Trustee of the Scheme.

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants. The Scheme is closed to future accrual.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (the 'Investment Regulations'), the Trustee must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects The Pensions Regulator's investment guidance for trustees running pension schemes that offer defined benefits that was issued in March 2017 and subsequently updated in September 2019.

The Trustee is responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing its investment strategy, the Trustee has had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.
- Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustee has obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and has consulted Gates ('the Sponsoring Employer'). However, it should be noted that neither the Trustee (nor any investment manager to whom it has delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

History and review

The Trustee will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request. This SIP is also made publicly available free of charge on a website.

Previous version of this SIP is dated December 2021.

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Statement of Investment Principles

Investment governance structure

The Trustee will undertake training where appropriate to ensure it has the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee without constraint by the Sponsoring Employer. The Trustee will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee is suitable for the Scheme, and appropriately diversified.

Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustee having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Scheme's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy is based on an analysis of the Scheme's liability profile, the required investment return and the returns expected from the various asset classes over the long term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustee is prepared to accept this higher volatility in order to aim to achieve the overall investment objectives (however, given the Scheme's current liability profile, there are no investments in equities).

The Trustee's primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve long-term growth sufficient to provide the benefits from the Scheme.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.

The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the appendices of this SIP.

In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to an investment manager authorised under the Act. Details are included in the appendices of this SIP.

The Trustee is responsible for reviewing both the Scheme's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme's investment

consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The Trustee considers the Scheme's current strategic asset allocation to be consistent with the current financial position of the Scheme. This assessment will be updated with reference to the Technical Provisions set out in the Scheme's Statement of Funding Principles.

The Trustee's policy in relation to the kinds of investments to be held

The Trustee has full regard to its investment powers as set out in the Trust Deed and Rules.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Scheme. The Scheme invests in pooled funds, other collective investment vehicles and cash. The Trustee has made the decision to invest in pooled funds because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustee to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

The Trustee's policy in relation to the balance between different kinds of investments

The appointed investment manager will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities. Full details are set out in Appendix 1 of this SIP.

The Trustee's policy in relation to the expected return on investments

The present investment strategy is believed not to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach/maintain a fully funded status under the agreed assumptions. The Trustees plan to revise their investment strategy to ensure it is capable of exceeding the required rate of return.

The Trustee's policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the investment manager to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate.

The Trustee's policy in relation to financially material considerations

The Trustee expects its investment manager, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustee reviews, from time to time, the investment manager's policies in respect of financially material considerations.

The Trustee's policy in relation to the extent to which non-financial matters are taken into account

The Trustee's objective is that the financial interests of the Scheme members is their first priority when choosing investments. The Trustee has decided not to take members' preferences into account when considering these objectives. They may take social, environmental or ethical considerations into account only when these factors do not contradict this objective.

Risk capacity and risk appetite

The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Scheme including control ranges for each asset class and or geographic region (see Appendix 1).

Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment manager is given full discretion over the choice of stocks and is expected to maintain a diversified portfolio.

The Trustee is satisfied that the investments selected are consistent with its investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee's policy in relation to risks

The Trustee considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustee has assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

The Trustee also takes into account the long-term expected returns underlying the most recent actuarial valuation.

Although the Trustee acknowledges that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustee undertakes monitoring of the investment managers' performance against their targets and objectives on a regular basis.

Each fund in which the Trustee invests has a stated performance objective against which investment performance will be measured. These are shown in Appendix 1. Within each asset class, the investment manager is expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

The divergence of the actual distribution of the investments from the benchmark weighting for each fund will be monitored by the Scheme's investment managers while the divergence from the overall benchmark will be monitored by the Trustee. Any deviation from the target asset allocations will be discussed periodically with the investment consultant.

Stewardship in relation to the Scheme's assets

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through each investment manager.

The Trustee's policy in relation to engagement and monitoring (including peer-to-peer engagement)

The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to each investment manager and the Trustee expects the investment manager to use its discretion to maximise financial returns for members and others over the long term.

The Trustee recognises that the investment manager's ability to influence the companies in which it invests will depend on the nature of the investment.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for short-term money market instruments, gilt and liability-driven investments.

The Trustee reviews each investment manager prior to appointment and monitors them on an ongoing basis through the regular review of the investment manager's voting and

engagement policies, its investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustee has not set out its own stewardship priorities but follow that of the investment manager.

The Trustee will engage with an investment manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the stewardship priorities identified by the Trustee from time to time.

If the Trustee finds any investment manager's policies or behaviour unacceptable, it may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustee's policy in relation to voting rights

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the managers to exercise those rights. Each investment manager is expected to provide regular reports for the Trustee detailing their voting activity. The Trustee has not set out its own voting policy but follows that of the investment managers.

Investment management monitoring

In addition to the stewardship activities described above, the Trustee will assess the performance, processes and cost effectiveness of the investment manager by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment manager, are monitored by the Trustee with the assistance of the investment consultant.

The investment manager will provide the Trustee with quarterly statements of the assets held along with a quarterly performance report. The investment manager will also report orally on request to the Trustee.

The investment manager will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

The Trustee will assess the quality of the performance and processes of the investment manager by means of a review at least once every three years in consultation with the investment consultant.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment manager.

The Trustee's policy in relation to its investment manager

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment

manager, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies**

The Trustee has delegated the day-to-day management of the Scheme's assets to an investment manager. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment manager to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustee, in conjunction with its investment consultant, appoints its investment manager and chooses the specific pooled funds to use in order to meet specific Scheme policies. It expects that its investment manager makes decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee has decided not to take non-financial matters into account when considering its policy objectives.

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustee's investment policies**

The Trustee expects its investment manager to invest the assets within its portfolio in a manner that is consistent with the guidelines and constraints set out in its appointment documentation. The Trustee reviews the investment manager periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee policies, it will make its concerns known to the investment manager and may ultimately disinvest.

The Trustee pays its investment managers a management fee which is a fixed percentage of assets under management.

Prior to agreeing a fee structure, the Trustee, in conjunction with its investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustee, in conjunction with its investment consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The

Trustee receives a report which includes the turnover costs incurred by the investment manager used by the Scheme.

The Trustee expects turnover costs of the investment manager to be in line with its peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment manager should follow its stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

The Trustee does not in general enter into fixed long-term agreements with its investment manager and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Employer-related investments

The Trustee will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, are monitored. The Trustee has delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment managers.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultants are Buck Consultants (Administration & Investment) Limited.
- The investment manager is Legal and General Investment Management (LGIM).
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is David Jones of Buck.

Trustee

The Trustee's primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment manager.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Reviewing the stewardship/voting policies of the investment managers and undertaking the ongoing monitoring and engagement with its investment manager as appropriate.
- Assessing the processes and the performance of the investment manager by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment manager has cast votes on behalf of the Trustee in respect of the Scheme's equity holdings.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustee in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustee.
- Advising the Trustee on the selection and review of the investment manager(s).

- Providing training or education on any investment related matter as and when the Trustee sees fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Providing the Trustee with quarterly reports and a review of the investment performance of their portfolio.
- Meetings with the Trustee as and when required.
- Informing the Trustee of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustee in balancing short-term and long-term investment objectives.

Compliance

The Scheme's SIP is available to members on request and is also made publicly available free of charge on a website.

A copy of the Scheme's current SIP is also supplied to the Sponsoring Employer, the Scheme's investment manager, the Scheme's auditors and the Scheme Actuary.

This SIP, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee.

Signed on behalf of the Trustee of the Gates UK Pension Scheme

14 July 2023

Appendix 1 – Strategic benchmark and objectives

Scheme's target asset allocation

The Scheme's investment strategy is currently under review and the allocation below represents the actual allocation as at 31 May 2023. The Scheme invests in pooled gilt and index-linked gilt funds with the aim of providing security plus a partial hedge of the Scheme's liabilities' sensitivity to interest rates and inflation expectations.

Asset type	Investment style	Allocation (%)	Control range (%)
Gilts	Passive	68.9	n/a
Index-Linked Gilts	Passive	31.1	n/a
Total		100.0	

The above allocation will change over time due to market movements and any investments/disinvestments that take place. The Trustee may from time to time decide to temporarily target a different allocation to the allocation set out in the table above. The Trustee will take advice from a regulated investment advisor prior to adjusting the asset allocation.

Benchmark and performance objectives

Benchmark indices and relative performance objectives for the funds in which Scheme's assets are invested are outlined below.

Fund	Benchmark Index	Objective
Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Track Index to within +/- 0.25% p.a. for two years out of three
Over 5 Years Index-Linked Gilts Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	Track Index to within +/- 0.25% p.a. for two years out of three
Single stock Gilt and Index-Linked Gilt Funds	Gilt and Index-Linked Gilt of appropriate term	Track Index to within +/- 0.25% p.a. for two years out of three

Appendix 2 – Fees

Investment manager fees

Fund	Investment style	Management fee (% p.a.)
Over 15 Year Gilts Index Fund	Passive	0.100
Over 5 Years Index-Linked Gilts	Passive	0.100
Single stock Gilt and Index-Linked Gilt Funds	Passive	0.100

Investment consultancy fees

The investment consultancy services are provided by Buck who are remunerated on a time cost basis, which is considered the most appropriate basis as the services required fluctuate year on year. The basis of remuneration is kept under review.