Tomkins Retirement Benefits Plan

Statement of Investment Principles

September 2023

1. **Introduction**

1.1 The Trustee of the Tomkins Retirement Benefits Plan ("the Plan") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern the Trustee's decisions about the Plan's investments.

1.2 A separate document, the Investment Policy Implementation Document ("IPID"), sets out specific details of the investment policy.

1.3 When making investment decisions the Trustee consults the Statement as required to ensure that, where possible, the decisions they make are consistent with the Statement.

2. **Governance of the Plan**

2.1 The Plan is governed by its Trust Deed and Rules which set out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with this Statement. The ultimate responsibility for deciding the Plan's investment policy lies solely with the Trustee.

2.2 The Plan's Principal Employer is Gates Worldwide Limited (formerly known as Tomkins Limited and also referred to in this document as "the Company"). There are no other Participating Employers of the Plan.

2.3 In considering the appropriate investments for the Plan, the Trustee obtains and considers the written advice of their investment consultant.

3. **Objectives**

3.1 The Trustee's primary objective is to meet their obligations to the beneficiaries both in the short and long-term, by maximising the probability of the Plan paying accrued benefits as they become due using the funding assumptions under the ongoing funding basis applying to the Plan.

3.2 If there is a shortfall revealed by an actuarial valuation, the Trustee will agree with the Company the additional contributions projected to eliminate the shortfall over an appropriate period.

3.3 The Trustee has the following specific objectives for how this primary objective is to be met.

- To have regard to the likelihood of the Plan's insolvency.
- To have regard to the Statutory Funding Objective following the most recent actuarial valuation.
- To have regard to the long-term cost of benefit provision.
- To have regard to the factors which might contribute to the contribution rate rising.
- To have regard to the Company's investment preferences.
- To consider and implement as appropriate any revised controls deemed necessary in accordance with the Plan's risk register.
- To have regard to the extent to which the asset allocation policy in place results in an appropriately diversified portfolio.

3.4 The Trustee purchased a bulk annuity policy with Pension Insurance Corporation ("PIC") in November 2022 to ensure that all DB member benefits are paid in full by a regulated insurance company. This buy-in policy (along with the existing policy with Aviva) were purchased to meet the Trustee's primary objective – to maximise the probability of the Plan being able to pay accrued benefits as they fall due.

3.5 The buy-in policy is expected to secure all the remaining outstanding DB benefit obligations of the Plan.

3.6 Additional payments or expenses will be met from cash balances and/or payments from the Sponsor until the Plan is wound up.

Risk

3.7 Any investment risk resulting from the mismatch between the Plan's assets and liabilities has been hedged following the purchase of the bulk annuity contract with PIC, and the existing bulk annuity with Aviva.

3.8 The Trustee has taken steps to reduce risk over time by removing the allocation to equities and securing a buy in policy in respect of the pensioner members during 2013 and extended the policy in 2014 and again in 2016 to cover some additional retirees. In 2016, the Trustee reviewed the investment strategy further in order to better align the remaining assets (gilts and corporate bonds) to the characteristics of the liabilities not associated with the buy in. Following discussions with the Company, a further review of the investment strategy was undertaken in 2018, and in 2019 the allocation to the corporate bond assets was increased, and allocations to secured finance and leveraged liability driven investments introduced. In 2021 and 2022, the Trustee decided to disinvest the secured finance positions in order to increase the liquidity levels of the Plan. The allocation to secured finance was subsequently terminated in October 2021 and January 2022. In November 2022, to fully de-risk the Plan's investment strategy (to the extent possible) the Trustee entered into a buy-in transaction, securing the remaining DB benefits for the Plan. The bulk annuity policy was purchased with PIC.

3.9 The bulk annuity contract represents a concentration of risk that the provider does not make the required payments. As the policy are governed by insurance market solvency regulations, the Trustee believes this risk is low and have mitigated it by careful choice of provider and contract terms.

3.10 Before deciding on the level of investment risk to take relative to the liabilities, the Trustee receives advice from the Investment Consultant and Plan Actuary, and hold discussions with the Company. In particular, the Trustee carefully considers the following risks to be financially material over the expected life of the Plan:

- Although the expected return on the bulk annuity has not been determined, the change in the value of this contract is expected to follow the change in value of the Plan's liabilities.
- Changes in long term interest rates and inflation expectations have a significant impact on the value placed on the liabilities. The investment strategy has mitigated this *mismatching risk* by purchasing a bulk annuity contract which possess the same characteristics of the liabilities (such as duration and sensitivity to inflation).

3.11 The documents governing the investment manager' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The manager is prevented from investing in asset classes outside their mandates without the Trustee's prior consent. These guidelines also set out restrictions to manage *counterparty risks* which arise from dealing with counterparties that may be unable to pay amounts due to the Plan as they fall due.

3.12 Arrangements are in place to monitor the Plan's investments to confirm to the Trustee that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee receives quarterly reports from the investment manager.

3.13 *Custodian risk* is the risk that a custodian misplaces Plan investments in its receiving, dealing or safe keeping. The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.

3.14 The Trustee recognises that there is *liquidity risk* in holding assets that are not readily marketable and realisable. Although bulk annuities are illiquid investments and cannot be traded on regulated markets, the Trustee is satisfied this is appropriate given the security they provide by paying members' benefits as they fall due.

3.15 *Environmental, social and governance ("ESG") risk*, including climate change, may significantly affect the investment returns and risk of certain asset classes. The Trustee's policy on ESG risks are set out in Section 6.

4. Asset Allocation Strategy

4.1 The Trustee regards the asset allocation as the decision which has the most influence on the likelihood that they will achieve the primary. The Trustee has direct responsibility for this decision which is made on the advice of its investment consultant and in consultation with the Company.

4.2 The Trustee has adopted a strategic asset allocation policy for the Plan, which is set out in the IPID.

Investment of Additional Voluntary Contributions (AVCs)

4.3 The AVC arrangements are outlined in the IPID.

5. Investment Management Structure

5.1 The Trustee has signed and dated the bulk annuity contract with the insurer which sets out the terms and conditions by and under which the buy-in policy will be managed and reported.

5.2 PIC have been appointed with the aim of insuring the Plan's liabilities and reducing the Plan's funding volatility. The Trustee sought expert advice in relation to this appointment. This included an assessment of PIC's capabilities, knowledge and experience. The bulk annuity policy is managed in line with the Plan's specific liabilities and investment requirements. Therefore, the policy is aligned with the Trustee's objectives and the terms of the policy incentivise PIC to meet the Trustee's objectives. The Trustee understand that they have no ability to determine or influence the assets in which PIC invests. The Trustee recognise that the annuity investment is illiquid and cannot be traded.

6. Portfolio Turnover Costs

6.1 The Trustee does not currently actively monitor the portfolio turnover costs of the Plan's assets.

6.2 The obligation of the insurer to make payments is not impacted by on-going turnover costs.

6.3 The Trustee does not currently actively monitor the portfolio turnover costs of the assets for members' Additional Voluntary Contributions.

7. Manager Turnover

7.1 Following the buy-in transaction, the Plan's residual assets are held in the Trustee Bank Account to cover wind-up expenses.

7.2 For open-ended funds, the Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.
- The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.

8. Responsible Investment and Corporate Governance

8.1 The Trustee believes that stewardship and ESG issues, including climate change, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

8.2 The assets are invested in a bulk annuity contract and residual assets consist of cash held in the Trustee Bank Account to cover expenses. the Trustee accepts that the assets are subject to the investment manager's own policy when evaluating ESG issues, including climate change, and in exercising rights and stewardship obligations attached to the Plan's investments.

8.3 As all the Plan's assets are invested in bulk annuity contracts, the Trustee is reliant on the insurers' policies on responsible investment and corporate governance and will review these from time to time as appropriate. The Trustee have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to the providers of the Plan's buy-in policies. As a result, the Trustee believe they have minimal direct exposure to risks arising from long-term sustainability issues, including climate change.

8.4 Similarly, the Trustee accepts that the Plan's voting rights are exercised by the investment manager in accordance with their own corporate governance policy and taking account of current best practice including the UK Corporate Governance Code and UK Stewardship Code. The Trustee reviews the managers' ESG and stewardship policies from time to time.

8.5 Equity managers who are authorised in the UK are expected to report to their adherence to the UK Stewardship Code on an annual basis.

8.6 The Plan invests solely in bulk annuity contracts. Cash is also held in the Trustee Bank Account to cover wind-up expenses. Whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behaviour compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

8.7 The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. The Trustee will consider the ESG ratings provided by their investment consultant and how each investment manager embeds ESG factors into its investment process. A change in ESG rating (or lack of ESG rating) does not mean that the fund will be removed or replaced automatically. The Trustee will also consider ESG integration, climate change and stewardship when implementing future investment strategy decisions.

8.8 The Trustee does not take into account members' or beneficiaries' views on "non-financial matters" (such as their ethical views) in the selection, retention or realisation of investments.

9. Investment Manager, Insurer and Advisor Fees

9.1 The insurer does not receive on-going remuneration from the Plan. The premium paid for the annuity policies covers the insurer's implicit fees with the Trustee's choice of insurer taking the size of the premium into account. The Trustee is satisfied that this is the most appropriate basis for remunerating the insurer.

9.2 Investment consulting fees are based on the time spent. In addition, the investment consultant and the Trustee generally agree fees in advance for more substantial projects.

10. Review of this Statement

10.1 The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed: Christopher Clayton

Date: 21 September 2023