QVF Pension Plan

Statement of Investment Principles

February 2025

1. Introduction

The Trustees of the QVF Pension Plan have prepared this Statement of Investment Principles for the Defined Benefits section of the Plan with effect from 1 February 2025. It has been prepared in accordance with applicable legislation, taking into account guidance from The Pension Regulator and written advice from an independent investment adviser as required.

The purpose of the SIP is to set out Trustees' investment strategy in high level, including the investment objectives, investment strategy and other investment policies Trustees have adopted. Detail on how the Plan's investment strategy is implemented is set out in a separate Statement of Investment Implementation ('SII') document (which is maintained by the Trustees).

The Trustees must review the SIP in consultation with the De Dietrich Process Systems Limited ('the Sponsoring Employer') at least every three years; and without delay after any significant change in investment policy or circumstances of the Plan. The Trustees last updated the SIP in February 2022 following a review of the document.

2. Plan governance

The Trustees are responsible for the governance of the Plan's assets and the investment of these assets in the best interests of members and beneficiaries. The Trustees exercise their powers of investment in accordance with the Trust Deed and Rules of the Plan and applicable law. Where the Trustees are required to make an investment decision, the Trustees must receive advice from the relevant advisers first. They believe that this ensures that it they are appropriately familiar with the issues concerned.

The Trustees have delegated day-to-day investment of the Plan's assets to be undertaken through the fiduciary management service of Schroders Investment Solutions Limited ('**Schroders Solutions'**), hereafter referred to as the '**Investment Manager'**. The Trustees are satisfied that the Investment Manager has the appropriate knowledge and experience for managing the investments of the Plan and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations"),** the principles contained in this SIP and any applicable investment guidelines and restrictions agreed with the Trustees.

The Trustees acknowledge the potential for conflicts of interest as part of ongoing Investment Management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where third party managers the Plan invests in ("**the Underlying Managers**") are also regulated, they may be required to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager monitors these conflicts as part of its regulatory filings (where applicable), and as part of ongoing review. The Investment Manager's Conflict of Interest policy is available to be shared to Trustees when required.

The Trustees consider that the governance structure is appropriate for the Plan as it allows the Trustees to make the important decisions on investment policies, while delegating the day-to-day aspects to the Investment Manager as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in the SII.

3. Investment objectives and strategy

The primary objective of the Trustees of the Plan with regard to investment policy is to meet the benefit payments promised to the Plan's members as they fall due. Hence, the Trustees have defined the investment strategy with due regard to the Plan's liabilities.

The Trustees have set the following investment strategy:

1) The acquisition of suitable growth and matching assets, having due regard to the risks set out in this SIP, which will generate income and capital growth to pay, together with any contributions from members or the Sponsoring Employer, the benefits which the Plan provides as they fall due.
2) To limit the risk of the assets failing to meet the liabilities over the long-term having regard to any statutory funding requirement.
3) To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

Growth assets comprise a diversified range of investments including (but not limited to) developed and emerging market equities, corporate bonds and alternative assets, which are held with the aim of outperforming the Plan's liabilities over the medium term.

Matching assets comprise investments include (but not limited to) UK government bond and derivative exposures, which are held with the aim of matching the interest rate and inflation sensitivities of the Plan's expected liabilities.

The Plan's investment strategy is detailed in the SII.

4. Arrangement with the Investment Manager

The Trustees have appointed the Investment Manager to implement the Plan's investment strategy. The Investment Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the Underlying Managers. The Investment Manager is appointed to carry out its role on an ongoing basis.

The Trustees and Investment Manager have agreed an Investment Management Agreement setting out the scope of the Investment Manager's activities, performance objectives, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995. Further information can be found in the SII.

The Trustees periodically review the overall value-for-money of using the Investment Manager, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustees are satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustees' investment policies, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve performance.

5. Arrangement with the Underlying Managers

The Investment Regulations require the Trustees to disclose its policies in relation to its arrangements with its Underlying Managers who are appointed by the Investment Manager.

The Trustees incentivise their Underlying Managers via the Investment Manager to align their investment strategies with the Trustees' mentioned in the SIP. However, the Plan's investments are generally made via pooled investment funds, in which the Plan's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, may not be aligned with the Trustees' investment policies.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustees' objectives. The Investment Manager regularly reviews the Underlying Managers on behalf of the Trustees in order to incentivises the Underlying Managers. These reviews include evaluation of the investment performance, remunerations and turnover cost of the investment funds in comparison to the peers.

The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager.

6. Monitoring

The Trustees will monitor the performance of the Investment Manager against the agreed performance objectives.

The Trustees, or any other suitably qualified adviser on behalf of the Trustees, regularly review the activities of the Investment Manager to satisfy themselves that the Investment Manager continues to carry out their work competently, exercises its powers of investment with a view to giving effect to the principles in this SIP and has the appropriate knowledge and experience to manage the assets of the Plan.

If the Trustees are not satisfied that the Investment Manager is aligned with their policies, they will consider making changes to the Investment Manager's mandate as necessary.

7. Derivatives

The Trustees may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustees have taken advice on the suitability of the contracts and have delegated responsibility to the Investment Manager to implement these instruments. Derivative instruments are typically used for risk management purposes in the portfolio.

8. Realisation of investments

The majority of assets the Plan holds can be realised easily when required. The Trustees will ensure that the Investment Managers are made aware of the cashflow requirements of the Plan. The Investment Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Trustees to meet these cashflows.

9. Risk management

The Trustees recognise a number of risks involved in the investment of the assets of the Plan. The Trustees will keep these risks and how they are measured and managed under regular review. The main risks include, but not limited to:

- **Funding and asset/liability mismatch risk –** the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
    - A liability benchmark portfolio or 'LBP' is used as a proxy for the liabilities in order to measure the approximate changes in the present value of the Plan's liabilities (due to changes to the relevant gilt yields only). The Trustees monitor this change relative to the change in asset values on quarterly basis. The LBP is reviewed following each actuarial review, or when significant market or Plan events (e.g. a significant change in inflation expectations) occur.
    - The Trustees recognise the risk of a negative impact on the funding level due to changes in the Scheme Actuary's assumptions. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
    - When setting and reviewing investment strategy, the Trustees examine how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LBP and can therefore also be assessed as part of the quarterly review process.
    - This risk is also monitored through regular actuarial and investment reviews.
- **Underperformance risk –** the risk of underperforming the benchmarks and objectives set by the Trustees. This risk is minimised using the following techniques:
    - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
    - The use of instruments and strategies designed to control the extent of downside exposure.

  - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
  - Regular monitoring of the managers' performance, processes, and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the Investment Manager.
- **Cashflow risk –** which is the risk that the Plan is unable to meet benefit payments as they fall due, addressed through the monitoring of the cashflow requirement of the Plan to control the timing of any investment/disinvestment of assets.
- **ESG risk including Climate risk** – the risk of adverse performance due to ESG related factors including climate change. The Trustees recognises climate change as a systemic, long-term material financial risk to the value of the Plan's investments. This risk is addressed by the following:
  - Climate change scenarios being considered as part of the Trustees' regular review of investment strategy from time to time (if applicable).
  - The Investment Manager's ESG assessment at the point of investment with Underlying Managers.
  - The Trustees monitoring the overall ESG characteristics including carbon metrics of the portfolio in the quarterly governance report.
- **Sponsor risk** – the risk of the Sponsoring Employer becoming unable to support the Plan which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustees regularly review the covenant of the Sponsoring Employer.

10.Financially material investment considerations

Financial material considerations, which include (but not limited to) environmental, social and governance (ESG) considerations (including, but not limited to, climate change), which the Trustees consider to be financially material.

The Trustees believe that certain ESG factors can have an impact on financial performance and part of its fiduciary duty is to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the length of time needed for the funding of future benefits of the Plan. The Trustees consider a wide range of ESG risks, including corporate governance, human rights, labour and environmental standards and so on and it believes that climate risk presents a material financial risk to the assets invested in its portfolio.

The Trustees currently do not have standalone ESG policy but the Trustees' policy is to delegate the monitoring and overall management of financially material ESG risks and opportunities to the Investment Manager. The Trustees are comfortable with the delegation given the approach the Investment Manager takes towards ESG and climate related risks and opportunities is aligned with the Trustees' beliefs which was confirmed on appointment of the Investment Manager.

The Trustees receive regular training and updates on ESG-related topics such as portfolio ESG reporting, voting and engagement examples on a quarterly basis through Trustee meetings. In addition, on an annual basis, the Trustees review the ongoing suitability of the Investment Manager's monitoring and management of ESG and climate-related issues via an ESG annual report and challenge or engage with the Investment Manager as required on its approach.

The Trustees delegate the integration of climate related risks into the investment process to the Investment Manager. The Investment Manager provides regular updates for the Trustee to:

- Understand the exposure of its investments to climate change in the quarterly monitoring report, and
- Ensure that new and existing investments take account of climate change risks and opportunities.

The Trustee expects its Investment Manager to take their policy into account as part of manager selection.

11. Non-financial material investment considerations

The Trustees do not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations.

12.Stewardship

The Trustees are responsible for developing their own stewardship policy which includes both voting (where applicable) and engagement. The Trustees believe proper stewardship will result in better management of financially material ESG and climate related risks and opportunities. This is expected to improve the long-term financial outcomes of the Plan which ultimately is in the best interests of the Plan's members and beneficiaries. The Trustees expect its Investment Manager to be a signatory to the UK Stewardship Code.

The Trustees have received training on the Investment Manager's approach to stewardship. The Investment Manager has its own voting and engagement policies documented in its Engagement Blueprint which sets out six sustainability themes to prioritise and which guides the voting and engagement behaviours of the Investment Manager. Therefore, to ensure focused voting and engagement with the Underlying Investment Managers, the Trustees, have chosen to align their stewardship priorities with those of the Investment Manager: Climate Change, Natural Capital & Biodiversity and Human Rights. The Trustees expect the Investment Manager to take their policy and stewardship priorities into account as part of its own stewardship activities and manager selection.

The Trustees review, monitor and challenge the Investment Manager where necessary in relation to the voting and engagement activities of the Investment Manager and the Underlying Investment Managers.

13.Additional Voluntary Contributions (AVCs)

Under the Plan's Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. The Trustees have selected a range of investment funds with Clerical Medical and Standard Life for the AVCs to be invested in.

The Trustees review these arrangements regularly considering their performance, the objectives and the views of the advisers.

Approved by the Trustees of the QVF Pension Plan on 26 February 2025