

Aalberts Surface Technologies Heat Ltd Group Pension Scheme

Statement of Investment Principles

October 2023

The Scheme operates for the purpose of providing retirement benefits.

The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

The investment managers will prepare detailed quarterly reports on their activities and custodianship and the Trustees will meet with them periodically.

Investment Objectives and Suitability of Investments:

The Trustees' agreed investment strategy is based on an analysis of the liability profile of the Scheme, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities and property are expected to exceed the returns from bonds and cash, although these higher returns and capital values demonstrate higher volatility. Where these assets are used, the Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objective.

The primary objective of the Trustees is to operate an investment strategy that provides sound long-term growth and appropriate security for all beneficiaries.

The Trustees have translated their objective into a suitable strategic asset allocation for the Scheme.

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

The Trustees consider their current asset allocation to be consistent with the current financial position of the Scheme.

Diversification

The Trustees, after seeking appropriate investment advice, have selected a discretionary manager.

Subject to their respective benchmarks and guidelines, the managers are given full discretion over the choice of assets and are expected to maintain diversified portfolios.

The Trustees are satisfied that the investments selected are consistent with their investment objective, particularly in relation to diversification, risk, expected return and liquidity.

Balance between different kinds of investments

The appointed investment managers will hold a mix of investments that correspond to the strategic benchmark. Within each major market, each investment manager will maintain a diversified portfolio.

Risk

The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustees will periodically assess the likelihood and impact of future undesirable financial outcomes.

The investment strategy has been determined with the aim of achieving an excess of the value of the assets over the value placed on the liabilities of the Scheme over time, and of the need to avoid undue deficit funding from the Principal Employer. In determining the Scheme's investment strategy, the Trustees will review advice from their investment consultant on the likely range of funding levels for strategies with differing levels of investment risk relative to the Scheme's liability profile.

Although the Trustees acknowledge that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. 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 Principal Employer.

The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

Monitoring of the investment managers' performance against their targets and objectives on a regular basis is undertaken.

The Trustees have signed legal agreements with their investment managers which detail the specific performance targets. Within each asset class, the investment managers are expected to maintain a portfolio of securities, which ensures that the risk being accepted in each market is broadly diversified.

The actual distribution of the investments from the benchmark weighting will be monitored.

Expected return on investments

The long-term funding of the Scheme, in accordance with the last triennial actuarial valuation report is consistent with the overall rate of return that is expected to be achieved by the proposed investment strategy.

Kind of investments to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including, for example, property, infrastructure, fixed income, index linked bonds, liability driven investments ("LDI"), cash and commodities via investment vehicles that are considered to be appropriate for tax-exempt registered occupational pension schemes.

The Trustees have considered the attributes of the various asset classes in conjunction with advice from their investment consultant. These attributes include but are not limited to:

- security (or quality of the investment),
 - yield (expected long-term return),
 - spread (or volatility) of returns,
 - term (or duration) of the investment,
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- exchange rate risk,
- marketability/liquidity (i.e. the ability to trade on regulated markets),
- taxation.

Illiquid investments

The Scheme does not currently hold any illiquid investments in Private Equity, Debt, Direct Property or otherwise. This is because the Trustee and their manager believe that at present the investment and liquidity needs of the scheme can be more adequately met by liquid assets. There are no current plans to introduce illiquid assets into the scheme. The manager will inform the Trustee if they identify any illiquid assets that they believe will be beneficial for the scheme.

Realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers 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.

Financially material considerations

The Trustees expect their investment managers, 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 Trustees recognise that there are Climate Related Risks and Opportunities which can materially affect the performance of their investments and expect their managers to consider these in their decision making processes.

Non-financial matters

Non-financial matters may be considered if the Trustees have good reason to think that a majority of the members would share the concern; and that the decision would not be detrimental to members' financial interests or increase the risks within the schemes investments beyond the Trustees chosen tolerance.

Stewardship in relation to the Scheme's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees believe that they can promote an investment's long-term success through monitoring, engagement and/or voting, through their investment managers. The Trustees consider active stewardship of investments amongst other factors when making decisions regarding the hiring and retention of managers.

Engagement and monitoring

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees do not select the assets their managers invest in. This also extends to engagement whereby the Trustees do not directly engage with, nor do they give guidance to their asset managers on how to engage with specific companies for investment.

The responsibilities the Trustees defer to the investment manager include, but are not limited to, the monitoring of capital structure of the companies they invest in. The Trustees also avoid conflicts of interest both with engagement, and other parties with an interest in companies they invest in, by deferring the direct engagement to the investment managers.

The Trustees, with the help of their investment advisor, periodically review the policies and actions of their investment managers to ensure they remain consistent with the Trustees' policies.

Voting rights

Due to the pooled nature of investments the Trustees do not have voting rights. The exercising of rights (including voting rights) attached to the Trustees investments is managed by the investment managers. The Trustees encourage the investment managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing investment managers.

Investment Consultant

The Trustees' investment consultant is Dean Wetton Advisory UK Limited; its main responsibilities include:

- Assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Principal Employer and the Scheme Actuary.
- Undertaking project work, including reviews of investment strategy as required by the Trustees.
- Monitoring and advising upon where contributions should be invested on a periodic basis.

Policy for Asset Managers

Asset Managers are paid based on a percentage of AUM. This incentivises an alignment of interests of achieving long term returns that, in conjunction with contributions, allow the Trustees to pay all benefits due.

Contracts with investment managers are not under a fixed term and managers can be replaced if at any point the Trustees and their investment advisors believe they are not acting in member's best interests.

The Trustees review their asset manager's beliefs to ensure they are in line with their own. The Trustee is satisfied that they are aligned in beliefs in how to make decisions based on long-term financial and non-financial performance of companies.

Investment performance is monitored at least quarterly and reviewed at least annually.

Performance is reviewed by the Trustees and their investment advisors on at least a quarterly basis. The Trustees take a long-term performance outlook of at least 5 years, however they review manager/s regularly to identify any potential issues.

Day to day costs for investments, including turnover costs, are managed by the asset manager. The Trustees, with the assistance of their investment consultant, periodically reviews costs to ensure they are appropriate and in line with market rates.

Custodian

The custodianship arrangements are those operated by the investment managers.

Scheme Actuary

The Scheme Actuary's main investment strategy responsibilities include commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

Total Scheme Strategic Benchmark

The current strategic asset allocation for the Scheme is set out below.

Asset Type	Allocation (%)	Investment Style	Range (%)
LGT Balanced Growth	60	Active	50 - 70
Cash	12	Active	5 - 20
Liability Driven Investments + Cash	28	Enhanced	20 - 40
Total	100		

There is a plan to completely de-risk the Scheme over the next 10 years and the Trustees will over time adopt a different allocation to the current one set out in the table above. Adjustments will be based on the funding position, return requirement and the medium-term outlook for investment returns.

The Scheme's Liability Driven Investment assets are managed by Insight Investment in an execution-only account administered by LGT. The Trustees have appointed LGT as Discretionary manager to manage the remainder of its assets.

Performance objectives relative to the specified benchmark Index for each of the Scheme's investment managers and funds are outlined below. All performance objectives are net of fees and measured over rolling five-year periods.

Manager	Asset Type	Current Allocation (%)	Benchmark Index	Investment Style	Performance Objective
LGT Growth	Diversified Growth	60	UK 1 Month SONIA	Active	+3.6% p.a. (net)
LGT Cash	Cash	12	SONIA	Active	In line with money market rates
Threadneedle	Liability Driven Investment	28	Leveraged Liability Benchmark – gilts	Enhanced	No outperformance objective
Total		100			
