Dunlop Slazenger Pension Scheme

Statement of Investment Principles

as required by the Pensions Act 1995 and the Pension Act 2004

June 2022

The Trustee confirms that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustee has considered written advice from the Investment Advisor prior to the preparation of this Statement and have consulted Dunlop International Europe Ltd, the Principal Employer, before agreeing this Statement and the investment strategy outlined in this document.

All day-to-day investment management decisions have been delegated to the Investment Manager, where the Investment Manager is authorised and regulated by the Financial Conduct Authority.

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

This Statement of Investment Principles will be reviewed at least every three years, or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate, and following consultation with the Principal Employer.

1. Introduction

This Statement of Investment Principles has been prepared by the Directors of the Dunlop International Pension Scheme Trustees Limited ("the Directors") as Trustee of the Dunlop Slazenger Pension Scheme ("the Scheme"). This Statement sets down the principles which govern the decisions about investments to comply with the Pensions (Northern Ireland) Order 1995 (the Order), as amended by the Pensions Act 2004 and Occupational Pension Schemes (Investment) Regulations 2005. As required under the Order, the Directors have obtained written advice from Deloitte Total Reward and Benefits Limited ("Deloitte").

The Directors' investment responsibilities are governed by the Scheme's Trust Deed. The strategic management of the assets is fundamentally the responsibility of the Directors acting on advice from their investment consultants. The day-to-day management of the assets of the Scheme, including stock selection and the exercise of voting rights, is delegated to BlackRock Investment Management (UK) Limited as the investment manager who is authorised and regulated by the Financial Conduct Authority.

2. Investment Objectives

The Directors' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Directors consider the advice of their professional advisers, who they consider to be suitably qualifies and experienced for this role.

The Directors review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration to the continued competence of the investment manager with respect to performance within any guidelines set. The Directors will also consult the sponsoring employer before amending the investment strategy.

The Directors have discussed the key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Directors face in achieving these objectives. As a result, the Directors' main investment objectives are:

- To ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due
- To achieve a long-term positive return in excess of the required investment return used by the Actuary to calculate the recovery plan (or, in absence of any recovery plan, the single-equivalent funding discount rate)
- To manage the expected volatility of returns achieved in order to control the level of volatility in the Scheme's required contribution and funding levels
- To invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the Principal Employer, the cost of current and future benefits which the Scheme provides
- To reduce the risk of the assets failing to meet the liabilities over the long term
- To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives

The Directors are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Directors have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

3. Risk Measurement and Management

The Directors have considered the following risks for the Scheme with regard to its investment policy, the Scheme's liabilities and have considered ways of managing/monitoring these risks.

Risk versus the liabilities	The Directors will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles. The Directors acknowledge that there may be a mismatch between the Scheme's assets and the Scheme's liabilities.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Directors are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Investment manager risk	The Directors monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Directors have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate. Additional details on this risk are included in Section 5.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Directors monitor these and will report on the managers'

	practices in their annual Implementation Statement.
ESG/Climate risk	The Directors have considered long-term financial risks to the Scheme and Environmental, Social and Governance ("ESG") factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted to cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed where appropriate to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Directors. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees undertake an annual review of the internal controls and processes of each of the investment managers.

4. Investment Strategy

The Scheme invests in assets that are expected to achieve the Scheme's objectives. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

The Directors are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

The Directors carried out an investment strategy review in July 2021. As a result of this review, on advice from their investment consultant, Deloitte, and having consulted the Sponsor, the Directors agreed to implement the following investment strategy.

Asset class	Strategy
Global Equities	10%
Leveraged LDI Portfolio	25%
Buy & Maintain Corporate Bonds	60%
Cash	5%
Total	**100%**

At times the Scheme may hold additional cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

The Directors monitor from time-to-time the sponsoring employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Scheme's auditors.

The Directors have regard to the relative return and risk that each asset class is expected to provide. The Directors are advised by their investment advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment manager.

The Directors recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

In considering the expected return from investments, the Directors recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

Having established the investment strategy, the Directors monitor the performance of each investment against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Directors meet the Scheme's investment manager as frequently as appropriate in order to review performance.

Asset Class	Fund	Benchmark Index
Global Equities	Aquila Life Currency Hedged MSCI World Index Fund	MSCI World Net Total Return 95% Hedged to GBP
Leveraged LDI Portfolio	Liability Matching Funds	-
Buy & Maintain Corporate Bonds	Buy & Maintain UK Credit Fund	iBoxx £ Non-Gilts*
Cash	Institutional Sterling Ultra Short Bond Fund	3 month SONIA Compounded in Arrears

*Benchmark used by Deloitte to monitor performance

The Scheme has a target 85% interest rate and inflation hedge ratio in place with a rebalancing tolerance of ± 3% of the total Liability cashflows.

5. Manager Structure

5.1. Investment Managers

The day-to-day management of the assets is the responsibility of the appointed investment manager. The current investment policy has the assets invested in a range of authorised unit trusts and other pooled investment vehicles managed by BlackRock Investment Management (UK) Limited ("BlackRock"). BlackRock is authorised and regulated by the Financial Conduct Authority. As required by the Financial Services & Markets Act, the Directors entered into signed Agreements with the investment manager. These Agreements provide important protections for the Scheme itself and for the Directors. They also set out the terms on which the assets are managed; the investment briefs, guidelines, and restrictions under which the investment managers work. Copies of the Agreements are available for inspection from the Directors.

In selecting investment managers, the Directors take all reasonable steps to satisfy themselves that the relevant parties have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently and complying with the relevant pensions and investment regulations.

The custody of the underlying assets is undertaken by professional custodians, appointed by the relevant fund managers.

The Directors, with guidance from their Investment Advisor, have chosen to invest in open-ended pooled funds. For open-ended pooled funds the Directors' policy is to enter arrangements with no fixed end date. Currently there are no closed-ended investments. However, in this case the Directors will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open-ended investments are dealt on a daily, monthly, and quarterly basis. The Directors will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Directors may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

5.2. Investment Manager Fees

The table below summarises the investment manager fees payable in respect of the Scheme's investments.

Fund	Fee Structure
Aquila Life Currency Hedged MSCI World Index Fund	0.18% p.a. on first £15m 0.09% p.a. on next £85m 0.05% p.a. thereafter
Liability Matching Funds	0.20% p.a. on first £50m 0.15% p.a. thereafter
Buy & Maintain UK Credit Fund	0.15% p.a.
Institutional Sterling Ultra Short Bond Fund	0.07% p.a.

The above Management fees are subject to a 10% discount which is calculated on a quarterly basis.

The fees charged by BlackRock are subject to a minimum fee of £15,000 p.a. on assets held outside the LDI Portfolio calculated in arrears at the end of each calendar quarter. If a quarter of the minimum fee is greater than the fee due for the quarter, then the Scheme will be liable to pay the shortfall.

In addition, there is a minimum fee of £50,000 p.a. on assets held in the LDI Portfolio which is calculated in arrears at the end of each calendar quarter. If a quarter of the minimum fee is greater than the fee due for the quarter, then the Scheme will be liable to pay the shortfall.

The Directors review the fees charged by its investment manager on an annual basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Scheme's size and complexity.

The Directors review investment manager costs and charges (including portfolio turnover costs incurred as a result of buying, selling, lending, or borrowing of investments) annually as well as the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Directors monitor the portfolio turnover (the frequency that assets are bought and sold) in the context of what the Directors expect to be reasonable given the nature of each mandate. By also monitoring performance net of all costs, the investment manager is incentivised to consider the impact of portfolio turnover on investment performance.

The Scheme invests in passively managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/selling or stocks and to reduce transaction costs when the index changes, the investment manager gives itself some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

5.3. Monitoring

In addition to performance measures, the Directors will review the engagement activity of the investment manager to ensure that active engagement is taking place where possible to influence positive change in relation to Environmental, Social and Governance factors, including climate change (together referred to as "ESG factors") within investee companies. The Directors will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their policy on ESG detailed in Section 7 below.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Directors will review and replace the investment managers if net of fees investment performance and ESG practices are not in line with the Director's expectations and views. This incentivises the investment manager to act responsibly.

The Directors believe that along with the Investment Manager's stewardship policies, which are detailed in Section 7 of this document, the objectives of the funds are aligned with the medium- and long-term views of the Directors.

6. Cashflow Management

Any new money received into the Scheme is to be invested in such a way as to bring the allocation closer the benchmark allocation.

The Directors will review the allocation across the sub-portfolios from time to time and consider whether the investment/disinvestment policy as set out above remains relevant.

7. Policy on Environment, Social and Governance ('ESG') factors and Stewardship

The Investment Manager is responsible for managing the Scheme's investments in accordance with the management agreements in place with the Directors. The Directors have requested that the Investment Manager has the financial interests of the Scheme members as their first priority when choosing investments and the Directors have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Manager.

The Directors acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Scheme's membership been consulted on such issues.

As part of the selection, retention and realisation of the Scheme's investments, the Directors, in consultation with their investment advisor, have reviewed the ESG and stewardship policies of the Investment Manager and are comfortable that these policies are consistent with their views. In particular, the Directors note the following:

- The Directors' policy is to invest in pooled investment vehicles. It is the investment manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.
- The Investment Manager has clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.
- The Scheme holds investments in passively managed funds where the Investment Manager is restricted in the choice of underlying assets to invest in. As such, stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration.
- The Directors note that the Investment Manager has clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the Investment Manager has demonstrated how it acts on these policies. For example, the Investment Manager has voted on company proposals covering climate risk, political donations, gender diversity on company boards, board independence issues and remuneration policies.

The Directors' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Directors expect the investment manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Directors' investments. The Directors believe that such engagement will protect and enhance the long-term value of its investments.

The Directors expect the Scheme's investment manager to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Directors will review this on an annual basis in line with its monitoring policy mentioned above.

If the Directors believe that the Scheme's Investment Managers are no longer acting in accordance with the Directors' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Directors will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Directors' policies and views.

These statements are made noting that the Scheme's assets are invested in pooled funds and as such, the Directors are restricted in their ability to directly influence its Investment Manager on the ESG policies and practices of the companies in which the pooled funds invest. The remuneration of the Investment Manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Directors will review and replace the investment manager if net of fees investment performance and ESG practices are not in line with the Directors' expectations and views. The Directors believe that these steps will incentivise the Investment Manager to align their actions with the Directors' policies and also for them to act responsibly.

8. Compliance with this Statement

The Directors, together with the investment manager, BlackRock and Deloitte, the investment consultants (each of whom have been appointed by the Directors), each will have duties to perform to ensure compliance with this Statement. These are:

The Directors will monitor compliance with this statement regularly on the advice of Deloitte and will record compliance with it at each Trustee's meeting.

BlackRock, the investment manager, will provide quarterly information for the Directors including:

- Valuation of all investments held by the Scheme
- Records of all transactions together with a cash reconciliation
- A review of the recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy

On request, written confirmation that the principles contained in this Statement have been followed so far as reasonably practicable and that the manager has had regard for the need for diversification and the suitability of investments to the Scheme.

Deloitte, the investment consultants, will provide the advice needed to allow us to review and update this statement at least every three years (or following any material change to the investment arrangements of the Scheme).

Signed: PAN TRUSTEE UK LLP Date: 25 July 2022

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Signed on behalf of the Directors of Dunlop International Pension Scheme Trustees Limited as Trustee of the Dunlop Slazenger Pension Scheme

Last updated: June 2022