

Gems Sensors Pension Plan

Statement of Investment
Principles

May 2026

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Gems Sensors Pension Plan (the 'Plan').

The Plan 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 Plan is closed to new members and future accrual for existing members.

Regulatory requirements and considerations

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

This SIP also reflects the requirements and recommendations within The Pensions Regulator's general code of practice, in respect of the DB assets.

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

In agreeing their 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 Plan'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 Plan.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Plan. 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 Gallagher (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and has consulted TGA Industries Limited ('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 Plan'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 Plan members on request. This SIP is also made publicly available free of charge on a website.

This SIP replaces the previous version dated June 2023.

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Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustee believes that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when an investment sub-committee may be set up. The Trustee will undertake training where appropriate to ensure the Trustee Directors have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Plan are under the control of the Trustee Board 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 Board is suitable for the Plan, and that their portfolios are appropriately diversified.

The Trustee takes proper written advice before investing in any manner.

Investment strategy and objectives

The Plan'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 Plan's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy is based on an analysis of the Plan's liability profile, the required investment return and the returns expected from the various asset classes over the long-term.

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 Plan.
- To achieve an appropriate balance between risk and return with regards to the cost of the Plan and the security of the benefits.

The Trustee has translated their objectives into a suitable strategic asset allocation benchmark for the Plan, details of which are included in a separate Summary of Investment Arrangements document ("SoIA").

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 investment managers authorised under the Act. Details are included in the SoIA.

The Trustee is responsible for reviewing both the Plan's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Plan's investment consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary in order to reflect any changes to the liability profile of the Plan

The Trustee considers the Plan's current strategic asset allocation to be consistent with the current financial position of the Plan.

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

The Trustee has full regard to their investment powers as set out in 8.1 of the Trust Deed and Rules dated 1988.

The Plan 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 Plan invests in pooled funds, other collective investment vehicles and cash. The Trustee has made the decision to invest the assets in pooled funds because:

- The Plan 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 managers will hold a diversified mix of investments in line with their agreed benchmarks 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 the SoIA.

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

The investment strategy is believed 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 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 managers to be able to realise the Plan'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 Plan. The assets are not expected to take an undue time to liquidate.

The Trustee's policy in relation to financially material considerations and appropriate time horizon

The Trustee believes that the potential impact of any financially material considerations that may affect the Plan's investments should be assessed over the period during which benefits are expected to be paid from the Plan and/or the period over which particular investments are expected to be held. It considers this as part of investment strategy setting, investment manager selection and ongoing monitoring of the investment managers, taking advice on these matters from the investment consultant.

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking to meet the Trustee's expected return on investments consistent with a prudent and appropriate level of risk. In evaluating this level of risk, the Trustee takes into account the risk that environmental, social and governance ('ESG') factors, including climate change, may negatively impact the value of investments held or the distributions received from these investments.

The Trustee expects the investment managers, where appropriate, to have taken account of financially material considerations, including ESG factors, as part of the investment analysis and decision-making process. The Trustee will consider the manager's approach to these matters prior to the manager's appointment and will, from time to time, review the managers' policies in respect of this topic, and the approach the managers take in practice.

As the Plan invests primarily through pooled funds, the Trustee recognises that, to some extent, the approach being taken in this area is delegated to the investment managers; however, by considering the managers' approach prior to appointment, and on an ongoing basis thereafter, the Trustee believes it is able to ensure that it is broadly aligned to its own preferences, and believes that it will have the opportunity to raise any concerns over divergencies with a view to seeking alternative pooled funds to use should these concerns be sufficiently strong.

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 Plan members is their first priority when choosing investments. The Trustee will take members' preferences into account if it considers it appropriate to do so.

Non-financial matters may be taken into account if the Trustee has good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

Risk capacity and risk appetite

The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Plan (see the SoIA).

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

The Trustee is satisfied that the investments selected are consistent with their 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 Plan'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 Plan's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining their investment strategy, the Trustee received advice from the investment consultant on the level of investment risk relative to the Plan's liability profile. The investment strategy takes this into account, along with the expected returns underlying the most recent actuarial valuation.

Although the Trustee acknowledges that the main risk is that the Plan 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 Plan 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 Plan'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 the SoIA. Within each asset class, the investment managers are 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 will be monitored by the Plan's investment managers. Any deviation from the target asset allocation will be discussed periodically with the investment consultant.

Stewardship in relation to the Plan's assets

The Trustee has 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 Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

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 the investment managers and it expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

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 recognises that each 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 their assets.

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 managers 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.

Investment management monitoring

In addition to the stewardship activities described above, the Trustee will assess the performance, processes and cost effectiveness of the investment managers 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 managers, are monitored by the Trustee with the assistance of the investment consultant.

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

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

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

The Trustee receives an independent investment performance monitoring report from the investment consultant on a regular basis.

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

The Trustee's policy in relation to its investment managers

In detailing below the policies on the investment managers 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 managers, 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 managers to align its investment strategy and decisions with the Trustee's policies**

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

- **How the arrangement incentivises the investment managers 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 managers and chooses the specific pooled funds to use in order to meet specific Plan policies. It expects that its investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

The Trustee also expects its investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

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

The Trustee expects its investment managers to invest the assets within their portfolios in a manner that is consistent with the guidelines and constraints set out in the appointment documentation. The Trustee reviews investment managers 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 an investment manager is no longer managing the assets in line with the Trustee's 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, considers 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 managers, 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 Plan on an annual basis.

The Trustee expects turnover costs of the investment managers to be in line with their 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 managers should follow their 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 investment managers 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 is 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 Plan.

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

- The investment consultants are Gallagher (Administration & Investment) Limited.
- The investment managers are as detailed in the Trustee's Report and Accounts. Further information is available to members on request.
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Mike Whittaker of Gallagher Actuarial Consultants Limited.

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 managers.
- Appointing an investment consultant and investment managers as necessary for the good stewardship of the Plan's assets.
- Setting objectives for the appointed investment consultant (and reviewing these at least every three years, and following any significant change to investment strategy), and reviewing the investment consultant's performance against these objectives at least annually.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan'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 their investment managers as appropriate.
- Assessing the processes and the performance of the investment managers 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.

Investment consultant

The main responsibilities of the investment consultant include:

- Obtaining a copy of the Trustee's investment consultant objectives prior to undertaking work to ensure they understand the Trustee's requirements.
- 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 managers.
- 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 portfolios 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 portfolios is compliant with prevailing legislation.
- Providing the Trustee with quarterly reports and reviews of the investment performance of their portfolios.
- 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 its portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolios.
- 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 Plan's investment strategy given the financial characteristics of the Plan.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan'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 Plan's SIP is available to members in writing on request and via the following publicly available website:

<https://members.pensionpal.co.uk/GemsSensorsPensions>

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