Sun Chemical Limited Pension Scheme ("the Scheme")

Statement of Investment Principles – September 2023

1. Introduction

The Trustees of the Sun Chemical Limited Pension Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the SIP") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The SIP is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this SIP takes full regard.

In preparing this SIP, the Trustees have consulted suitably qualified persons by obtaining written advice from Goldman Sachs Asset Management International ("GSAM") the "Fiduciary Manager", and Isio, the "Investment Consultant". In addition, consultation has been undertaken with Sun Chemical Limited (the "Sponsor") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives.

2. Investment Strategy

The Trustees seek to manage the Scheme's assets in a responsible and prudent manner. They do so in the best interests of its members and beneficiaries; so as to protect the Scheme's assets and ensure that sufficient resources are available to meet its obligations as they come due. Responsibility for the setting and oversight of investment strategy lies with the Trustees, although they do so in consultation with the Scheme Sponsor. While the Trustees are comprised of diverse individuals who bring various expertise, background, and perspective, they have chosen to seek expert outside advice to assist in achieving the Scheme's investment objectives.

The Trustees take a long term perspective in developing an Investment Strategy. As such, they determine what they deem to be a suitable level of investment risk, by carefully considering the current funding level, Sponsor contributions, employer covenant, market conditions, and other factors.

The main tool the Trustees employ to manage the Scheme's investments is the Strategic Asset Allocation ("SAA"). The SAA is the basic guideline that determines in which asset classes the Scheme's assets will be invested, in what proportions and within what ranges. This decision is driven by the Trustees' risk tolerance, time horizon, and overall Scheme objectives. Although regularly reviewed, the SAA has a long term perspective and generally will not change significantly – but rather gradually, as the Scheme evolves over time.

As the Scheme's funding level has improved on the Technical Provisions measure, the Trustees have adopted a lower risk approach to the investment strategy. The agreed strategy has three core components:

- Growth Assets which seek to achieve superior market returns through diversified exposure to return-seeking assets;
- Cashflow Driven Investments ("CDI") which seek to generate cashflows in order to meet future member benefit payments as they fall due; and
- Liability Driven Investments ("LDI") which seek to hedge liability risks, namely interest rate and inflation risk, to match the risk profile of the Scheme's liabilities and thereby manage funding level risk.

The Trustees understand that managing the Scheme's investments is a complex and full time task, and accordingly have sought the advice of outside experts to assist them in implementing the SAA. The Trustees hire a Fiduciary Manger who has been delegated the task of day-to-day management of the Scheme's investments (currently GSAM).

The Trustees and the Fiduciary Manager have agreed to a legally binding contract called the Investment Management Agreement ("IMA") which obligates the Fiduciary Manager to follow the SAA as determined by the Trustees. It spells out the guidelines under which the Fiduciary Manager must implement and execute the SAA.

The Trustees also hire an independent Investment Consultant (currently Isio), who assists the Trustees in reviewing the performance and recommendations of the Fiduciary Manager. The Trustees also hire a Custodian (currently State Street Bank & Trust) who among other functions provides investment management reporting and compliance reporting which monitors the Fiduciary Manager's adherence to the IMA.

The Trustees recognise that investing in Growth Assets will bring increased risk of funding level volatility, but with the expectation of improvements in the Scheme's funding level through equity (and other Growth Asset) outperformance of the liabilities over the long term. As the Scheme's funding position has improved, the Trustees have incrementally reduced risk in the overall strategy and reduced reliance on generating excess returns from Growth Assets.

In order to manage this risk going forward, the Trustees will periodically review the split between the Growth Assets, LDI Portfolio and CDI portfolio as defined in the SAA, such that an appropriate level of risk is taken in the portfolio based on the Scheme's maturity and funding level.

3. Investment Objectives

The Trustees' primary Investment Objectives are as follows:

- *To ensure that obligations to the beneficiaries of the Scheme can be met;*
- *To ensure the Scheme's investment portfolio generates sufficient cashflow to help meet member benefit payments as they fall due*
- *To reduce the volatility in the funding level by managing un-hedged liability interest rate and inflation risk exposure;*
- *To monitor the progress in the funding level and to capture improvements in the funding level, if they arise.*

4. Process For Choosing Investments

In hiring a Fiduciary Manager, the Trustees have delegated the responsibility for investment decision making to the Fiduciary Manager (in line with the agreed guidelines as specified within the IMA). As such, the Fiduciary Manager may utilise internal or external investment managers (or separate accounts) as agreed with the Trustees. Accordingly, the Fiduciary Manger has overall responsibility for hiring, firing and ongoing monitoring of the Scheme's investment managers. The Fiduciary Manager shall provide the Trustees with regular reports regarding the appointed investment managers to monitor consistency between the expected and experienced levels of risk and return.

As noted above, the Trustees will periodically review the split across the Growth Assets, LDI Portfolio and CDI Portfolio as defined in the SAA, to ensure the funding level volatility of the Scheme is reduced, and the portfolio continues to generate sufficient cashflow to meet future member benefit payment obligations. The Fiduciary Manager advises the Trustees on an appropriate benchmark for the SAA, and constructs portfolios of investment with the aim of outperforming the benchmark, within the targeted level of risk, through manager selection, and implementation of market views.

The Fiduciary Manager shall report quarterly to the Trustees on any breaches to the range guidelines.

Finally, in considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of GSAM as Fiduciary Manager, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

5. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more volatility in the Scheme's funding position.
- The Trustees have appointed the Fiduciary Manager to implement the asset allocation within parameters given to them by the Trustees. The asset allocation has initially been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 3. The Fiduciary Manager shall provide the Trustees with regular reports regarding the Scheme's asset allocation.
- The Trustees recognise that even if the Scheme's assets are invested in LDI and CDI, there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between assets and actuarial liabilities.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, The Fiduciary Manager aims to ensure that the implementation of the asset allocation policy results in an adequately diversified portfolio. Investment exposure is primarily obtained via pooled vehicles.
- There is a risk that the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active or passive investment managers involves such a risk. The Trustees acknowledge that the use of active management involves the additional risk that managers will underperform the market. However, for specific asset classes the Trustees believe that this risk is outweighed by the potential gains from successful active management. Passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in markets deemed efficient where the scope for added value is limited.
- To help diversify manager specific risk, the Fiduciary Manager has, where appropriate given the size of allocations, made multiple manager appointments within each asset class.
- The Trustees recognise the risk that there is insufficient capital available to pay member benefits as they fall due. This risk is measured through understanding the liability cashflows provided by the Scheme Actuary and managed through investment in a bespoke CDI portfolio that seeks to generate the majority of the cashflow required to pay member benefits for a number of years. The target cashflow profile is kept under review by the Fiduciary Manager.
- Investment may be made in securities that are not traded on regulated markets and leveraged investments are also permitted where market exposure

exceeds the capital deployed. The extent of such leveraged investment is strictly governed by the IMA and monitored closely by the Trustees. Recognising the risks (in particular liquidity and counterparty exposure) in such investments, they will normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate improved diversification and efficient portfolio management. In any event, the Trustees will ensure that the assets of the Scheme are predominantly invested either directly or indirectly in investments traded on regulated markets and that the use of leverage is appropriately limited as agreed with the Fiduciary Manager.

- The Trustees have appointed State Street Bank and Trust Company ("State Street") as Custodian of the Scheme's assets.
- Should there be a material change in the Scheme's circumstances, the Trustees will advise the Fiduciary Manager who will review whether, and to what extent, the investment arrangements should be altered. In particular, they will determine whether the current de-risking strategy remains appropriate.

6. Day–to-Day Management of the Assets

The Trustees have delegated the day-to-day management of the Scheme's assets to the Fiduciary Manager, who in turn selects externally and internally managed funds in which to invest the Scheme's assets. The underlying investment managers have full discretion to buy and sell investments as described in the offering memorandum or prospectus of the relevant funds (or the investment management agreement in the case of separate accounts).

The Trustees have taken steps to satisfy themselves that the Fiduciary Manager is fit to manage the Scheme's investments, and has the appropriate knowledge and experience to choose and combine the underlying investments.

The Trustees regularly review the continuing suitability of the Scheme's investments including the Fiduciary Manager's ability to select, appoint, remove and monitor the investments managed by the appointed managers. GSAM, as current Fiduciary Manager, is authorised and regulated by the Financial Conduct Authority.

7. Realisation of Investments

The Fiduciary Manager and the underlying investment managers selected by them have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

8. Cash flow and cash flow management

Cash flows, whether positive or negative, are used to pay member benefits as they fall due and move the Scheme's asset allocation to the individual underlying managers back towards the strategic allocation appropriate at that point in time given the level of de- risking that may have occurred.

9. Rebalancing

Rebalancing ranges have been set within the Growth and Matching portfolios to ensure the Scheme’s assets remain invested in a manner which is consistent with SAA, and the commensurate guidelines within the IMA (and agreed by the Sponsor).

10. Responsible Investment and Corporate Governance

<u>Financially material considerations</u>

The Trustees recognise that they have a legal duty to take account of financially material considerations over the appropriate time horizon of the investments, which may include environmental, social and corporate governance (ESG) factors (such as climate change), in the selection, retention and realisation of investments. The Trustees recognise that these ESG factors may, to varying degrees, impact investments and therefore funding outcomes and can therefore be financially material. The Trustees take account of such factors over the period for which the Trustees expect Scheme investments to be required to fund future Scheme benefits.

The strategic asset allocation reflect the Trustees’ approach to managing the broad set of financially material factors applicable to the Scheme, over the appropriate time horizon.

The Trustees have delegated all day-to-day decisions about the Scheme’s investments, including the selection, retention and realisation of investments and the selection and retention of investment managers, to GSAM. As part of its delegated responsibilities, the Trustees expect GSAM to consider financially material considerations (including ESG factors such as long-term risks posed by sustainability concerns, including climate change risks).

Financially material factors are taken into account when selecting investments and investment managers. As part of their delegated responsibilities, the Trustees expect the investment managers to consider financially material factors, which may include corporate governance, social, and environmental considerations (including ESG factors such as long-term risks posed by sustainability concerns, including climate change risks) in the selection, retention and realisation of investments.

GSAM’s selection process for investment managers includes the consideration of ESG factors where deemed relevant as part of the criteria which may be taken into consideration in their research and selection of investment managers and investments included in the portfolio. The Trustees expect that for some types of investment, ESG factors may be less relevant e.g. liquid alternatives and Hedge Funds.

The Trustees regularly engage with GSAM to monitor performance of the portfolio, including, where relevant, how it takes account of financially material factors.

Alignment of Interests

GSAM selects investment managers and negotiates their fees on behalf of the Trustees. The Trustees expect GSAM to ensure (where possible) that investment managers' investment guidelines and restrictions align to this statement and focus on medium to long-term performance in order to align manager actions to the Trustees' investment time horizons where appropriate. The Trustees also expect, and where possible require, investment managers to use any rights associated with the investment to drive better long-term financial and non-financial outcomes (including on ESG and stewardship matters).

Investment managers are typically paid an ad valorem fee which is normal market practice, with some investment managers paid a performance fee with appropriate hurdle rates and high water marks. As part of the selection process, GSAM considers the fee structures of investment managers and seeks to ensure fee structures are aligned to an appropriate degree with Trustees' interests. Additionally, GSAM reports regularly to the Trustees setting out portfolio costs and charges at a total portfolio level but also for each individual strategy within the portfolio. GSAM also provides regular reporting which includes turnover costs based on calculation assumptions in line with MiFID costs and charges reporting in relation to allocation changes at the overall portfolio level.

Investment managers' performance is regularly reviewed and monitored by GSAM and reported to the Trustees monthly with a process in place to identify investment managers that either have underperformed or are at risk of future underperformance with appropriate action taken by GSAM. Investment manager fees are also reviewed by GSAM periodically to confirm that they are in line with market practices and remain in line with the Trustees' policies and investment strategy.

The Trustees and GSAM appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. Given this, the Trustees' arrangements with its investment managers have no set duration but have appropriate termination rights included in their terms.

The Trustees expect GSAM to be cognisant of the turnover of the portfolio and costs associated with turnover but the Trustees have no target turnover or turnover ranges. GSAM considers turnover and associated costs at several levels: 1) at the total portfolio level turnover costs are taken into account as part of regular rebalancing decisions; 2) turnover at the level of investment managers is periodically reviewed as part of the wider ongoing investment manager review processes; 3) investment manager performance is reviewed net of turnover costs; and 4) total portfolio turnover costs are incorporated into portfolio costs reporting.

Non-financial matters

The Trustees' current investment policy does not specifically take into account non-financial matters such as the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme.

Stewardship

The Trustees recognise the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its members and beneficiaries.

The Trustees do not engage with debt or equity issuers directly but has adopted a policy of delegating voting decisions to GSAM and investment managers.

When selecting and reviewing the performance of investment managers, the Trustees expect GSAM to take into account the managers' stewardship and ESG polices relative to both the Trustee's and GSAM's policies.

The Trustees believe it is appropriate for GSAM and investment managers to engage in stewardship activity with key stakeholders. Such stakeholders may include corporate management of debt or equity issuers, other holders of the debt or equity, others with an interest in the issuer or debt or equity, or regulators and governance bodies (as appropriate to the Trustees' investments). As part of this, the Trustees expect GSAM and investment managers to discuss with these stakeholders matters concerning the relevant issuer of debt or equity, including corporate governance, management of potential conflicts of interest, capital structure, performance, strategy, risks and ESG factors.

The Trustees expect that investment managers will provide details of their stewardship policy and activities on a periodic basis and will monitor this with input from GSAM. GSAM will engage with the investment managers where necessary for more information.

11. Additional Assets

Under the terms of the Trust Deed the Trustees are responsible for the investment of AVCs paid by members. The Trustees review the investment performance of the chosen providers on a regular basis and take advice as to the providers' continued suitability.

12. Fee Structures

The Fiduciary Manager levies a fee based on a percentage of the value of the assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying managers appointed by the Fiduciary Manager levy fees based on a percentage of the value of the assets under management, and in some cases, also levy fees based on a percentage of performance in excess of a pre-defined benchmark.

13. Review of this Statement of Investment Principles ("SIP")

The Trustees will review this SIP at least once every 3 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 Trustees 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.

CHARLES HEYNES
Print Name

MARGARET PEARCE
Print Name

15.9.2023
Date

For and on behalf of the Trustees of the Sun Chemical Limited Pension Scheme