MAY 2024

TWIL GROUP PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

1. INTRODUCTION

The Trustees of the TWIL Group Pension Fund ("the Fund") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and the Occupational Pension Scheme (Investment) Regulations 2005. As required under the Act the Trustees have consulted a suitably qualified person and have obtained written advice from Mercer Limited ("Mercer"), the Fund's Investment Consultant. The Trustees, in preparing this Statement, have also consulted the Sponsoring Company, Betafence Limited, in particular on the Trustees' objectives and attitude to risk.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in section 2 below.

The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment manager and described in section 3.

2. INVESTMENT OBJECTIVES, RISK AND INVESTMENT STRATEGY

2.1 Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed, the Trustees have adopted the following objectives:

1. To endeavour to meet our obligations to the beneficiaries of the Fund.

2. To achieve, over the long term, a return on the investments that is consistent with the long-term assumptions made by the Actuary in determining the funding of the Fund.

3. To minimise the investment risk of the Fund's assets relative to the liabilities.

4. To avoid volatility in the funding level and deficit contributions required.

To achieve these objectives, the Trustees have agreed an investment strategy following advice from Mercer. They expect to review this periodically after future Actuarial valuations and in response to any changes in the Sponsoring Company's attitude to risk, and to ensure it remains appropriate given the risks identified in section 2.2 below.

Historically, the assets of the Fund were invested in a mix of equities and bonds with a strategic bias towards equities. The Trustees and Sponsoring Company, recognising the increasing maturity of the Fund, have reduced the level of investment risk and equity investment over a number of years.

The level of growth risk has now been completely removed as the Trustees disinvested the remaining allocation to growth assets during 2016, and the Fund is solely invested in bond and liability hedging instruments. The Fund now has a target split of 75% corporate bonds, 25% liability hedging portfolio.

Whilst there are no set control ranges between the asset classes, the Trustees regularly monitor the actual asset allocation relative to the target allocation. Any decision taken to rebalance the asset allocation will depend on numerous factors including (but not limited to) consideration of: (1) the overall level of collateral and yield headroom in the LDI portfolio, (2) the potential impact on the level of expected return and risk, (3) asset liquidity and (4) cashflow requirements.

2.2 Risk

There are various risks to which any pension fund is exposed, including the mismatch of assets and liabilities. The Trustees review these risks at least on a triennial basis as part of a formal analysis of the Fund's assets and liabilities. This enables the Trustees to assess the level of risk within the Fund's asset portfolio relative to the Fund's liabilities. It also allows the Trustees to implement the most appropriate strategy which balances the need to meet the investment objectives and the risks the Fund faces.

The investment strategy reviews that have been undertaken in recent years have allowed the Trustees to evaluate suitable investments. The current investment strategy consists of matching assets and no longer contains growth assets, which removes the consideration of all growth asset risk, as well as reducing the interest and inflation risks of the assets relative to the liabilities.

The Trustees receive regular investment reports from the Fund's investment manager and investment consultant to facilitate monitoring of the suitability of the Fund's current investments. In addition, the Trustees have considered the following risks:

1. Solvency risk and mismatching risk

This is the general risk (which is the consequence of the combination of other risks listed below) that the change in the value of the assets over time does not keep pace with changes in the value of the liabilities, leading to deterioration in the funding position and an increased contribution requirement.

- It is measured through a qualitative and quantitative assessment of the potential future development of the liabilities relative to the current and alternative investment policies.

- It is managed through the long-term investment strategy of the Fund and through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

2. Active Manager risk:

- This is the risk that the Fund's investment manager underperforms their performance targets.

- It is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.

- It is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process.

3. Liquidity risk:

This is the risk that the Fund is unable to raise cash when it needs to without incurring excessive costs.

- It is measured by the level of cashflow required by the Fund over a specified period relative to the level of cash income from any contributions and investments.

- It is managed by the Fund's administrators assessing the level of cash held in order to limit the impact of the cashflow requirements on the investment policy. The Fund also have a monthly disinvestment policy in place to meet regular cashflow requirements.

4. Custodian risk:

This is the risk that a custodian defaults or fails in its safekeeping of the Fund's assets (or those of a fund in which the Fund invests) leading to a financial loss to the Fund.

- It is measured by assessing the credit-worthiness of the custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

- It is the responsibility of the investment manager (Insight) for those assets invested in pooled funds. Northern Trust is the custodian for the Scheme's segregated assets, which is a large and respected organisation.

- The agreement with Insight includes a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund.

5. Interest rate and inflation risk:

This is the risk that the Fund suffers a financial loss through exposure to interest rate and inflation risks on its liabilities or through exposure to interest rate and inflation risks on its assets, which differ from those on the liabilities.

- It is measured by the potential for future adverse interest rate and inflation movements and the impact on the value of the Fund's assets and liabilities.

- It is managed by the Liability Driven Investments ("LDI") and bond assets held by the Fund. The responsibility of the management of the LDI mandate has been delegated to the investment manager.

- The Fund has interest rate and inflation hedge ratios of 100% and the Trustees review the Scheme's Liability Benchmark Portfolio on a regular basis.

6. Credit risk:

This is the risk that the Fund suffers a financial loss through exposure to defaults by issuers of corporate bonds and other debt assets which the Fund holds or through reductions in the market values of those assets.

- It is measured by the potential for future adverse movements in the value of the Fund assets resulting from defaults or deterioration in credit market conditions.

- It is managed by using active management to identify credit risk and avoid defaults.

7. ESG Risk

This is the risk that Environmental, Social and Governance ("ESG") issues impact the Fund resulting in a financial or non-financial loss for the Fund. Section 4 sets out how these risks are managed.

3. DAY TO DAY MANAGEMENT OF THE ASSETS

3.1 Main Assets

The Trustees employ Insight Investment Management (Global) Limited ("Insight") to manage the Fund's assets; Insight invests assets in a Buy and Maintain Corporate Bond Portfolio and a Liability Hedging Portfolio. The Trustees are satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments.

The manager is subject to the following guidelines and restrictions:

3.2 Insight (Buy and Maintain Corporate Bond Portfolio)

3.2.1 Investment Restrictions

Insight has been given full discretion subject to a number of restrictions, which are outlined in the Insight Investment Management Agreement ("IMA") and include limitations on investible assets, sector and size.

3.2.2 Investment Objectives

There is no formal benchmark or performance target for the buy and maintain portfolio.

Insight will manage the portfolio with the objective of taking prudent action in light of any material increase in the probability of default of any of its bond holdings.

3.3 Insight (Liability Hedging Portfolio)

3.3.1 Investment Restrictions

Insight have been given full discretion subject to a number of restrictions regarding permissible assets, which are outlined in the IMA.

3.3.2 Investment Objectives

Mercer has provided Insight with a Liability Benchmark Portfolio that has broadly similar interest rate and inflation characteristics as the Fund’s liabilities valued on the 30 September 2023 Technical Provisions basis.

Insight aim to hedge 100% of the interest rate and inflation sensitivity of the Liability Benchmark Portfolio.

In meeting this hedge ratio target, Insight will also take account of the interest rate sensitivity of the Buy and Maintain Corporate Bond Portfolio.

3.4 Allocation of Cash Flows

The Fund is a net disinvestor and all disinvestments will be sourced from the Insight Liability Hedging Portfolio. In order to meet these cashflows all coupons and redemption payments from the Buy and Maintain Corporate Bond Portfolio shall be transferred to the Liability Hedging Portfolio as they arise.

Should any investments be required, the Trustees will review the overall asset allocation and may invest so as to move the assets back towards the Fund’s strategic benchmark. It is anticipated that there will be rebalancing from time to time to bring the Buy and Maintain Corporate Bond portfolio back towards its target benchmark of 75% of total assets.

As noted in 2.1 above, any decision taken to rebalance the asset allocation in order to meet cashflows will depend on numerous factors including (but not limited to) consideration of: (1) the overall level of collateral and yield headroom in the LDI portfolio, (2) the potential impact on the level of expected return and risk, (3) asset liquidity and (4) any other relevant cashflow requirements.

3.5 Additional Assets

A with-profits annuity policy with Guardian Assurance Plc, in the name of the Trustees, in respect of a number of current pensioners.

Investments with Prudential in relation to members’ Additional Voluntary Contribution (AVC) payments.

3.6 Realisation of Investments

In general, the Fund’s investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

3.7 Investment Management Fees

Fund	Investment Management Fee(%pa)
Insight: Buy and Maintain Bond Portfolio	0.15 on the first £100 million 0.10 thereafter
Insight: Liability Hedging Portfolio	0.063 on the first £50 million; 0.057 on the next £50 million; 0.041 on the next £150 million; and 0.035 thereafter

4. SOCIALLY RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve the value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration.

The Trustees have given the appointed investment manager full discretion in evaluating ESG factors, including climate change considerations, and exercising any voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

5. INVESTMENT MANAGER MONITORING AND ENGAGEMENT

5.1 Incentivising the investment manager to align its investment strategy and decisions with the Trustees policies:

To implement the policies in sections 2-4 above, the Trustees appoint investment managers based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which the Trustees have appointed them.

The Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to meet the target objectives over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Fund invests in. Mercer's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees. These ratings are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective of a particular fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

Some appointments are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance or significant outperformance). The Trustees will review the appropriateness of using actively managed funds (on an asset class basis) on a regular basis.

As the Trustees invest in some pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but believe that appropriate mandates can be selected to align with the overall investment strategy.

Where appointments are segregated, the Trustees have specified criteria in the investment manager agreements for the asset class manager to be in line with the Trustees' specific investment requirements.

5.2 Incentivising the investment manager to make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer, and to engage with issuers in order to improve their performance in the medium to long-term:

The Trustees will also consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment manager's policy on engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustees review the investment manager approximately annually and can challenge ESG integration to try to ensure the best performance over the medium to long term.

The Trustees delegate all engagement activities to the investment manager.

The investment manager is aware that its continued appointment is based on its success in delivering the mandates for which it has been appointed. If the Trustees are dissatisfied then they will look to replace the manager.

5.3 Aligning the evaluation of the investment manager's performance and the remuneration for investment management services with the Trustees policies:

The Trustees receive investment manager performance reports from the investment consultant on a quarterly basis, which present performance over 3 months, 1 year, 3 year, 5 year and since inception periods. The Trustees review absolute performance, relative performance against a suitable benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on long-term performance but short-term performance is also reviewed.

If the manager is not meeting performance objectives, the Trustees may ask the manager to review its fees or indeed they may look to replace the manager or mandate.

5.4 Monitoring portfolio turnover costs incurred by the investment manager:

The Trustees receive MiFID II reporting from their investment manager but do not currently analyse the information.

The Trustees have appointed Insight to manage the corporate bond portfolio on a Buy and Maintain basis to limit portfolio turnover and monitor trades within the segregated corporate bond portfolio on a quarterly basis. The Trustees do not currently monitor the portfolio turnover costs but will ask the investment manager to include portfolio turnover and turnover costs in their presentations and reports to the Trustees when they meet in the future.

The Trustees will engage with the investment manager in the future if the portfolio turnover is higher than expected. This could be assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

5.5 The duration of the arrangement with the investment manager:

The Trustees are long-term investors and are not looking to change investment arrangements on a frequent basis. There is, therefore, no set duration for manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class of manager; or,
- The manager appointment has been reviewed and the Trustees decide to terminate for a more suitable appointment.

6. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this Statement annually. The Trustees undertake to advise the investment managers promptly and in writing of any material change to this Statement.

7. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustees and the sponsoring Company which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be undertaken in consultation with the Company.

Approved by: J M Storer Chairman of the Trustees

Dated: 24 June 2024

May 2024