Cinch Connectors Limited Pension Plan

Statement of Investment Principles – February 2024

1. Introduction

The purpose of this Statement of Investment Principles (the "Statement") is to record the investment principles of the Trustee of the Cinch Connectors Limited Pension Plan (the "Plan") in accordance with the requirements of Section 35 of the Pensions Act 1995 and subsequent legislation.

This Statement has been prepared after obtaining written professional advice from the Trustee's Investment Adviser. The Trustee has also consulted with Safran UK Limited (the "Principal Employer").

The Plan's investment arrangements, based on the principles set out in this Statement, are detailed in the separate Investment Implementation Policy Document ("IIPD"). Both are available to members on request.

The Plan is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with this Statement.

2. Plan Governance

A brief overview of the various parties involved in the Plan's governance structure is set out below.

The Trustee

The Plan's assets are held in trust by the Trustee. The Trustee is responsible for the investment of the Plan's assets. The Trustee is able to delegate certain decisions. When determining which decisions to delegate, the Trustee Directors will take into account whether they have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. Further, the Trustee's ability to effectively execute the decision will also be considered.

Before investing in any manner, the Trustee will obtain and consider proper written advice on the question of whether the investment is satisfactory having regard to the requirements of regulations so far as relating to the suitability of investments.

The Investment Adviser

The Trustee has appointed an Investment Adviser to provide advice in order that the Trustee can make informed investment decisions and to monitor those that are delegated. The Investment Adviser is paid according to an agreed fee basis.

The Investment Manager

The Trustee has chosen to entrust the day-to-day management of the Plan's investments to the Investment Manager specified in the IIPD.

The Investment Manager to whom the Trustee delegates will exercise its powers to give effect to the principles of this document.

All investments will typically be held in collective investment funds managed by the Investment Manager. The terms are contained in the documentation provided by the Investment Manager to the Trustee. Either the Investment Manager or the specific funds in which the Plan invests are regulated by the FCA. Details of the Plan's strategic investment policy (within which the Investment Manager operates), and a listing of the Plan's current portfolios managed by the Investment Manager (including a description of the mandates and benchmarks) is set out in the IIPD.

3. Investment Objective

Following the receipt of a lump sum contribution of £9.3m from the Principal Employer in November 2017, the Plan became fully funded on the technical provisions ("TP") basis. The Trustee has agreed upon a long-term asset allocation with the aim of reducing the likelihood (and magnitude) of any future TP deficits, and improving the security of members' benefits in the event of adverse investment returns.

The Trustee's overall investment policy is currently guided by the following objectives:

- To maintain an ongoing funding level of at least 100% on the TP basis; and
- Over the longer term (in the absence of additional contributions from the Principal Employer) to secure the liabilities of the Plan with an insurance company.

4. Investment Policy

4.1 Implementation of the investment arrangements

The Trustee has limited influence over its manager's investment practices because all the Plan's assets are held in pooled funds, but it encourages its manager to improve its practices where appropriate.

The Trustee's view is that the fees paid to the investment manager, and the possibility of its mandates being terminated, ensure it is incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the manager's investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects its investment manager, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve its performance. It assesses this when monitoring its investment manager.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate its investment manager by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by its investment manager. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

4.2 Strategic Management

There is a broad target benchmark split between asset classes for the Plan. The strategic framework, including benchmarks, is outlined in the IIPD. The strategic benchmark is designed to target a level of investment return consistent with the Technical Provisions assumptions.

4.3 Day-to-day Management of the Assets

The Trustee implements the investment strategy by delegating the day-to-day management of the Plan's assets to its Investment Manager. The Trustee has taken steps to satisfy itself that the manager has the appropriate knowledge and experience for managing the Plan's investments, and is carrying out its work competently.

The Trustee regularly reviews the continuing suitability of the Plan's investments, including the appointed manager. Details of the Investment Manager as well as the mandates are set out in the IIPD.

5. Investment Risk

The primary risk upon which the Trustee focuses is that arising through a mismatch between the assets and the liabilities. Risk capacity is the maximum level of risk that the Trustee considers to be appropriate to take in the investment strategy. Risk appetite is how much risk the Trustee believes is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, the Trustee considers:

- the strength of the employer covenant and how this may change over time;
- the agreed journey plan and employer contributions;
- the Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk now and as the strategy evolves.

5.1 Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and the Trustee monitors these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and the Trustee has set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Plan's assets. The Trustee believes that the Plan's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Plan's investment arrangements.

Equity risk

The Trustee believes that equity risk is a rewarded investment risk, over the long term. The Trustee considers exposure to equity risk in the context of the Plan's overall investment strategy and believes that the level of exposure to this risk is appropriate.

Credit risk

The Plan is subject to credit risk because it invests in bonds via pooled funds. This risk is managed by only investing in pooled funds that have a diversified exposure to different credit issuers, and primarily investing in bonds that are classified as "investment grade".

Currency risk

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that it diversifies the strategy and is appropriate.

Interest rate and inflation risk

The Plan's assets are subject to interest rate and inflation risk because some of the Plan's assets are held in bond funds. However, the interest rate and inflation exposure of the Plan's assets provides protection (hedges) part of the corresponding risks associated with the Plan's liabilities. Given that this should reduce the volatility of the funding level, the Trustee believes that it is appropriate to manage exposures to these risks in this manner.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written professional advice, and it will typically undertake a manager selection exercise. The Trustee monitors the investments regularly against their objectives and receives ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time to time reviews how this risk is being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately, and from time to time reviews how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due, or that the Plan will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Plan's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Plan's invested assets.

Other non-investment risks

The Trustee recognises that there are other non-investment risks faced by the Plan. The Trustee takes these into consideration as far as practical in setting the investment arrangements.

Examples include longevity risk (risk that members live, on average, longer than expected); and sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. The Trustee regularly reviews progress against the funding target.

6. Realisation of Investments

In general, the Investment Manager has discretion over timing when realising investments, and in considerations relating to the liquidity of those investments, subject to not exceeding the Trustee's powers as set out in the Trust Deed and Rules. The Investment Manager is responsible for generating any cash required for benefits and other expenditure on the instructions of the Trustee.

7. Additional Voluntary Contributions ("AVCs")

The Plan's AVC arrangements are no longer open to contributions from members. A number of members have legacy AVC investments within the Plan. Further details on the AVC arrangements are set out in the IIPD.

8. Consideration of financially material and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustee expects its investment manager to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its investment manager is taking account of these issues in practice.

The Trustee has limited influence over its manager's investment practices where assets are held in pooled funds, but it encourages its manager to improve its practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

9. Stewardship

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment manager the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects its investment manager to exercise ownership rights and undertake monitoring and engagement in line with the manager's general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

If there is a need to appoint a new investment manager for the Plan, the Trustee will seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time will review how these are implemented in practice.

The Trustee has selected some stewardship priorities to provide a focus for its monitoring of its investment manager's voting and engagement activities. The Trustee reviews the themes periodically, updates them if appropriate and has communicated these stewardship priorities to its investment manager. The Trustee's current priorities are: carbon emissions and related climate issues; corporate activity to the detriment of biodiversity; labour standards and in particular Diversity, Equity and Inclusion ("DEI") and modern slavery; and suitable executive remuneration structures, aligning board interests with those of stakeholders.

The Trustee chose these priorities because it believes they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustee believes it is in the members' best interests that the

Plan's manager adopts strong practices in these areas.

10. Compliance with this Statement

The Trustee will monitor compliance with this Statement periodically. The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the Principal Employer which they judge to have a bearing on the stated investment policy. Any such review will again be based on written expert advice and will be in consultation with the Principal Employer. Such a review will be conducted at least every three years.

James Rickards
Director of Law Debenture

For and on behalf of the Trustee of the Cinch Connectors Limited Pension Plan

Dates of Amendments

Drafted:	March 2012
Amended:	May 2012
Amended:	May 2018
Amended:	June 2019
Amended:	September 2020
Amended:	June 2021
Amended:	February 2024

NB. A signed version of the SIP can be requested from Law Debenture