Statement of Investment Principles

Hempel Paints Ltd Pension and Life Assurance Scheme

September 2020

Contents

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles ("SIP")?

This SIP sets out the policy of the Trustees on matters governing decisions about the investments of the Hempel Paints Ltd Pension and Life Assurance Scheme (the "Scheme").

The Scheme is a Registered Pension Scheme for the purpose of the Finance Act 2004. The Scheme is a Defined Benefit ("DB") Scheme which is open to future accrual but closed to new members.

1.2. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 (the "Act") and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension schemes.

1.3. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Quantum Advisory ("Quantum"), the Trustees' investment adviser, and consulting Hempel UK Limited (the "Sponsoring Employer") as required by the Act and subsequently by the Regulations. Quantum has the knowledge and experience required under the Regulations to provide professional advice on the management of the Scheme's investments.

2. Investment objectives and strategy

2.1. Investment policy

The Scheme's assets are held in trust by the Trustees. The investment powers of the Trustees are set out in the Scheme's Trust Deed.

The Trustees are aware of the need to invest assets in the best and sole interest of the members and that the powers of investment must be exercised in a manner which supports the security, quality, liquidity and profitability of the Scheme as a whole.

The Trustees recognise that the assets of the Scheme must consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must, in any event, be kept to a prudent level.

2.2. Investment objective

The Trustees, with the help of their advisers and in consultation with the Sponsoring Employer, set the current investment strategy following a consideration of their objectives and other related matters in September 2019.

The Trustees noted the need to invest in a manner which helps ensure that the benefits promised to members are provided. Over the long term, this requires that a rate of return is achieved which supports the long-term funding plan which has been discussed with the Sponsoring Employer. In the short term, it means managing the volatility of assets relative to the value of liabilities, which have bond-like characteristics.

2.3. What risks were considered and how are they managed?

In order to achieve their objectives, the Trustees recognised the need to invest in both "liability matching" and "return seeking" assets (see 2.5). The Trustees identified the following investment risks:

- the risk that investment returns in general will not achieve expectations;
- the risk that an investment manager will not meet its targets;
- the risk that the value of liabilities may increase due to changes in actual and expected inflation and interest rates;
- the risk of mis-match between the value and timing of the Scheme's income and outgo;
- the risk of a shortfall in the liquid assets held by the Scheme relative to its immediate liabilities;
- the risk that the performance of any single investment within the Scheme's assets may disproportionately affect the ability of the Scheme to meet its overall investment objectives; and
- the risk of misappropriation, unauthorised use or mis-delivery of Scheme assets.
- the risk that environmental, social and governance ("ESG") factors, including climate change, adversely impact the value of the Scheme's assets if this is not given due consideration and/or misunderstood.

The Trustees recognise these different types of risk and seeks to minimise them as far as possible by the use of regular monitoring of investment performance; by a deliberate policy of diversification; by taking into account the timing of future payments; and by regularly reviewing the appropriateness of the prevailing strategy against the Scheme's objectives.

2.4. Financially material considerations, non-financial matters and stewardship policies

2.4.1. Financially material considerations

The Trustees acknowledge the potential impact upon the Scheme's investments (both in terms of risk and return) arising from financially material matters. The Trustees define these as including, but not limited to, ESG factors (including climate change).

With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees have provided the appointed investment managers with full discretion concerning the evaluation of ESG factors. The Trustees also periodically consider publicly available ESG related publications pertaining to the incumbent investment managers.

ESG is built into the core of its active investment managers' investment processes. Where the Scheme's investments are implemented on a passive basis, the Trustees acknowledge that this restricts the ability of the manager to take active decisions on whether to hold securities based on the investment managers consideration of ESG factors. The Trustees do however expect the incumbent managers, where relevant, to utilise their position to engage with companies on these matters.

The Trustees also consider ESG factors when determining future investment strategy decisions. To date, the Trustees have not established any restrictions on the appointed investment managers but may consider this in future.

2.4.2. Stewardship

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Scheme's investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees have provided the appointed investment managers with full discretion concerning the stewardship of their investments.

2.4.3. Non-financial matters

The Trustees consider non-financial factors (where members have been forthcoming with their views) however the Trustees do not employ a formal policy in relation to this when selecting, retaining and realising investments.

2.5. What is the investment strategy?

The investment strategy uses two key types of assets:

- “matching assets”: which exhibit characteristics similar to those of the Scheme’s liabilities. Typically, matching assets are low risk fixed income investments and the return from them is similar to the return on UK government bonds (referred to as the ‘minimum risk’ return);
- “return seeking assets”: which target a rate of return in excess of the minimum risk return. Typically, these are equities or a diversified pool of other non-matching assets which, over the long term, might be expected to deliver 3% to 4% pa above the minimum risk return.

Following the investment strategy review in September 2019, a strategic asset allocation was agreed. The strategy aims to deliver an appropriate mix of investments, which supports the Scheme’s investment objectives. Details of this are set out in Appendix 1.

2.6. Fund managers, style and target returns

The funds in which the Scheme invests are pooled funds, which the Trustees believe are appropriate given the size and nature of the Scheme. These pooled funds are accessed through a platform provider, Mobius Life Limited (“Mobius Life”). Details of the funds, managers, styles, benchmarks and target returns used by the Scheme can be found in Appendix 1.

The relationship with each investment manager is open ended and is reviewed on a periodic basis. The appointment date of each fund is noted in Appendix 1.

2.7. Currency hedging

Where reasonably practicable, currency exposure on passively managed overseas investments is hedged back to sterling by the managers concerned and the benchmark comparisons are expressed in sterling.

For active managers, they are given discretion over management of currency exposure/risk.

2.8. Cashflow management

Investments and disinvestments are made to assist the Scheme in maintaining the Scheme’s strategic allocation, which is set out in Appendix 1. This approach assists the Trustees in retaining the expected risk and return characteristics of the investment strategy in a cost-effective manner.

3. Investment platform

Investment platforms in general

An Investment platform is a facility that enables pension schemes to buy, sell and hold their investments all in one place. This allows greater flexibility and efficiency when switching investments as the scheme strategy changes or fund managers have to be replaced. The administrative burden in undertaking the transitions and the associated costs are thus removed, allowing for a more efficient implementation of the strategy at lower cost.

The centralisation of funds also allows consolidated reporting to be obtained more easily and more regularly, ensuring an investment strategy and associated flight path can be effectively tracked and monitored. All of these features allow pension schemes greater administrative efficiency, enhanced ease of strategy implementation and potential fee reductions.

Accessing the Investment platform

Each pension scheme enters into a unit linked life policy through a Trustee Investment Policy (TIP). The policy's value is linked to the underlying investments, which the Investment Platform provider, in this case Mobius Life, has been directed to purchase. Mobius Life is responsible for investing into the underlying funds and takes responsibility for the relationship with the underlying fund managers. This includes transactions, reporting and governance. This differs from a traditional relationship that pension schemes would have had with fund managers where they would have invested directly with these managers and maintained a number of these individual relationships.

Safeguarding and protection of Mobius Life's assets

There are a number of regulatory layers of protection in relation to the Scheme's assets with Mobius Life. The key points to note are set out below.

- The Scheme's assets are held in a Pooled Life Fund, which is held separately to Mobius Life's shareholder and other Company assets.
- Submissions are made to the Prudential Regulation Authority and Financial Conduct Authority on a regular basis, which require the Mobius Life Board and an independent qualified actuary, the Actuarial Function Holder, to monitor the solvency of the Mobius Life's business in relation to regulatory capital requirements. Mobius Life have appointed an independent qualified actuary to carry out this function, and any regulatory capital calculations are audited by the independent auditors.
- Mobius Life undertakes an annual Own Risk and Solvency Assessment together with the Actuarial Function Holder, as part of regulatory requirements of running an insurance company.

In Mobius Life's Security of Assets document, they state that Mobius Life is a regulated life insurance company, the Scheme has access to the Financial Services Compensation Scheme ("FSCS") in the event of Mobius Life becoming either insolvent or liquidated. The level of cover provided by the FSCS is currently 100% of the policy value when investing in insurance policies, with no upper limit, if Mobius Life defaults.

4. Appointment of investment managers

4.1. How many investment managers are there?

The Scheme currently holds assets with four investment managers through the Mobius Life platform. Details of the appointed investment managers and funds are outlined in Appendix 1.

4.2. What formal agreements are there with the investment managers and platform provider?

The Trustees select investment managers and funds which are appropriate to implement the investment strategy.

The Trustees have signed the appropriate policy documents, agreements and application forms with Mobius Life, setting out in detail the terms on which the portfolio is managed.

The Trustees keep the appointment of all investment managers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Scheme's investment strategy.

4.3. What are the investment managers' responsibilities?

The investment manager is responsible for the day-to-day management of the investments and is responsible for appointing custodians, if required.

The managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Any performance requirements for the managers are detailed in Appendix 1.

4.4. Custodians and administrators

The Scheme's investments are through pooled investment vehicles. Therefore, there is no need for the Trustees to formally appoint a custodian as the investment comprises units held in listed investment vehicles rather than the underlying stocks and shares.

However, the underlying managers have appointed custodians for the safe custody of assets and these are detailed in Appendix 1. Note, as the Scheme's units are held with Mobius Life, custody of assets held with managers is under the Mobius Life name.

4.5. What is the Trustees' policy on investment in the Sponsoring Employer?

The Scheme does not directly hold any shares in the Sponsoring Employer. The Trustees' policy is to keep any holding below 5% of the Scheme's overall assets, in line with the Regulations.

5. Other matters

5.1. What is the Trustees' policy on the realisation of investments?

The Scheme's assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

5.2. How are various parties who are involved in the investment of the Scheme's assets remunerated?

Quantum is remunerated on a fixed fee or time-cost fee basis, with budgets agreed for projects where possible.

The Scheme invests in pooled funds. The Trustees note that the investment strategy and decisions of the fund managers cannot be tailored to the Trustees' policies and the managers are not remunerated directly on this basis. However, the Trustees, with the help of Quantum, set the investment strategy for the Scheme and select appropriate managers and funds to implement the strategy.

The Trustees do not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustees do, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustees consider the fees and charges associated with each investment before investing.

The investment managers and Mobius Life are remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Scheme's funds they hold under management. In addition, the private market assets, which are actively managed, are subject to a performance related fee. This structure has been chosen to align the fund managers' and Mobius Life's interests with those of the Scheme.

In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets. The Trustees obtain an annual statement from the investment managers setting out all the costs of the investments of the Scheme.

5.3. Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review the Scheme's direct investments and to obtain written advice about them at regular intervals. When deciding whether to make any new direct investments or terminate any direct investments, the Trustees will obtain written advice from the Scheme's investment adviser. If the Trustees believe that an investment is no longer suitable for the

Scheme, they will withdraw the assets from the arrangement deemed to be unsuitable and select a suitable alternative.

The written advice will consider suitability of the investments, the need for diversification and the principles contained in this SIP. The adviser will have the knowledge and experience required under Section 36(6) of the Pensions Act to provide this advice.

5.4. Do the Trustees take any investment decisions on their own?

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegates others.

When deciding which decisions to take, and which to delegate, the Trustees take into account whether they have the appropriate training and expertise in order to make an informed decision.

The Trustees have established the following decision-making structure:

Trustees

- Set structures and processes for carrying out their role.
- Agree structure for implementing investment strategy.
- Select and monitor planned asset allocation.
- Select and monitor investment advisers, platform provider and fund managers.
- Select and monitor direct investments.
- Prepare and maintain the Statement of Investment Principles.

Investment adviser will, when requested by the Trustees:

- Advise on all aspects of the investment of the Scheme's assets, including implementation.
- Advise on this Statement.
- Provide required training.

Investment (or fund) managers

- Operate within the written contracts and agreements.
- Select individual investments with regard to their suitability and diversification for the individual pooled vehicles.
- Ensure the suitability of the chosen benchmark for the respective investment vehicle.

Platform provider

- Operate within the written policy documents and agreements.

5.5. Conflicts of interest

The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustees' meeting and document these in the minutes.

5.6. Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment managers. Investment managers are expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

6. Review

6.1. How often are investments reviewed?

Strategy reviews are undertaken periodically. Typically, these will occur after triennial actuarial valuations of the Scheme; but more frequent reviews can occur in light of a material change of circumstances. Any change in investment strategy may necessitate a change in investment managers, regardless of the underlying performance of the funds.

Investment return experience and the performance of individual funds is reviewed with assistance from Quantum as required. Managers are reviewed against their agreed performance benchmarks and targets over both short-term and long-term time periods, to ensure they remain appropriate to implement the investment strategy for the Scheme.

6.2. How do the Trustees monitor portfolio turnover and costs?

The Trustees have delegated the selection of holdings to the appointed investment managers. The Trustees receive an annual report from the investment managers setting out portfolio turnover and the associated costs.

The Trustees have not set a specific portfolio turnover target for each investment manager and recognise that portfolio turnover and costs may vary with market conditions. Each manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.

The Trustees will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager's process and philosophy remain consistent.

6.3. How often is this SIP reviewed?

The Trustees will review this SIP at least every three years and without delay after any significant change in investment policy. Any change to this SIP will only be made after a) 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; and b) consulting the Sponsoring Employer.

Agreed by the Trustees of the Hempel Paints Ltd Pension and Life Assurance Scheme on 29 September 2020.

Appendix 1 – Managers, asset allocation & fund details

Managers and asset allocation

The following table shows the strategic asset allocation for the Scheme. All investments are accessed through the Mobius Life investment platform. If the allocation to any asset class moves outside the tolerance ranges detailed below, the Trustees will, with the help of their investment adviser and platform provider, undertake the necessary switches to bring the relevant funds back to the central benchmark. Performance is reviewed periodically, with assistance from the Scheme's investment adviser as required.

Asset class	Manager	Fund	Asset allocation (%)
Return seeking assets			**50.00**
Diversified Growth	Barings[1]	Multi Asset	16.67
Diversified Growth	BNY Mellon[2]	Real Return Fund	16.67
Equity	LGIM[3]	World Equity Index – GBP Hedged	8.33
Alternatives	Partners[4]	Generations	8.33
Matching assets			**50.00**
Corporate bonds	LGIM[3]	AAA-AA-A Corporate Bond – Over 15 Year Index	25.00
Gilts	LGIM[3]	Over 15 Year Gilts Index	18.75
Index-linked Gilts	LGIM[3]	Over 5 Year Index-Linked Gilts Index	6.25
Total			**100.0**

[1] Baring Asset Management
[2] BNY Mellon
[3] Legal & General Investment Management
[4] Partners Group

Managers and fund details

The table below shows the benchmarks, outperformance targets and custodians for each fund the Scheme is invested in. All funds are accessed through the Mobius Life Limited platform, and the fees shown are those charged by Mobius Life.

Asset class	Fund	Benchmark	Objective / Outperformance target	Annual management fee	Custodian	Date of appointment
Return seeking assets						
Diversified Growth	Barings Multi Asset	Retail Price Index	To outperform the benchmark by 4% per annum (net of fees).	0.55%	Northern Trust	May 2016
Diversified Growth	BNY Mellon Real Return Fund	1 Month GBP LIBOR	To outperform the benchmark by 4% per annum (gross of fees).	0.75%	BNY Mellon	October 2019
Equity	LGIM World Equity Index – GBP Hedged	FTSE AW-World Index – GBP Hedged	To track the benchmark within +/- 0.5% p.a. for two years out of three, gross of fees.	0.20%	HSBC & Citibank	May 2016
Alternatives	Partners Group Generations	N/A	Targets a return of 8% to 11% p.a. net of fees over a full market cycle.	1.35%*	BNY Mellon	August 2017
Matching assets						
Corporate bonds	LGIM AAA-AA-A Corporate Bond – Over 15 Year Index	iBoxx £ Non- Gilts (ex-BBB) Over 15 Year Index	To track the performance of benchmark to within +/-0.5% p.a. for two years out of three, gross of fees.	0.125%	HSBC	May 2016
Index-linked Gilts	LGIM Over 5 Year Index-Linked Gilts Index	FTSE Actuaries Index-Linked (Over 5 Year) Index	To track the benchmark within +/- 0.25% p.a. for two years out of three, gross of fees.	0.08%	HSBC	May 2016
Gilts	LGIM Over 15 Year Gilts Index	FTSE Actuaries Government (Over 15 Year) Index	To track the benchmark within +/- 0.25% p.a. for two years out of three, gross of fees.	0.08%	HSBC	May 2016

*Performance related fee may apply.