Interface Europe Pension Scheme

Statement of Investment Principles ("SIP")

Purpose of this Statement
This Statement of Investment Principles ("SIP") has been prepared by the Trustee of the Interface Europe Pension Scheme (the "Scheme"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Scheme.

The Scheme's investment strategy is derived from the Trustees' investment objectives. The objectives have been taken into account at all stages of planning, implementation, and monitoring of the investment strategy.

Governance
The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of fund managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee believes that their investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and expertise. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Investment objective
The Trustee's objective is ultimately to secure members' benefits through insurance. The Trustee works with the Scheme advisers and in consultation with the Employer to set an appropriate investment policy to achieve this objective based on the Scheme's current assets and expected Employer contributions.

The Trustee's present investment objective is to target a return on the Scheme's assets of around 1.6% per annum above the expected return on UK Government bonds (which are considered to move in similar fashion to the calculated value of the Scheme's liabilities).

Our investment strategy has been designed to provide us with a realistic opportunity to achieve this level of return. There are a great many variables and the Scheme's funding position and investment policy will be reviewed on an ongoing basis to assess whether the Scheme's insurance objective remains appropriate. Where appropriate the Scheme's investment objective and associated return objective will be updated accordingly.

Investment strategy

The Scheme's strategy is to invest according to the following broad target asset allocation:

<table>
<tr><th>Asset Class</th><th>Proportion % [3]</th><th>Expected Return (relative to fixed interest gilts) [1] %</th></tr>
<tr><td>Semi-Liquid Credit</td><td>10.0</td><td>3.5</td></tr>
<tr><td>Direct Lending[2]</td><td>20.0</td><td>4.2</td></tr>
<tr><td>Absolute Return Bonds</td><td>22.5</td><td>1.5</td></tr>
<tr><td>Cash</td><td rowspan="2">47.5</td><td rowspan="2">0.0</td></tr>
<tr><td>Liability Driven Investing ("LDI")</td></tr>
<tr><td>TOTAL</td><td>100.0</td><td>1.6</td></tr>
</table>

(1) Net of investment management fees. Expected returns are based on best estimate assumptions at 31 December 2022.
(2) The Trustee has committed a fixed amount based on the target allocation to Direct Lending, however this will be funded over time through a series of drawdowns. It is acknowledged that assets awaiting drawdown may be invested in cash or other Scheme assets as a shorter-term holding position. Likewise, given the uncertainty regarding distributions from the current fund and drawdowns for the next vintage, the Trustee is aware that cashflow management will need to be carefully monitored.
(3) the actual asset allocation is reviewed against this target as part of quarterly monitoring and the need for rebalancing back to target is assessed on an ongoing basis

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist solely of investments admitted to trading on regulated markets.

The LDI Funds are expected to reduce the Scheme's interest rate and inflation risk relative to its liabilities. The allocation to the LDI funds was calculated with reference to the Scheme's projected cashflow profile, i.e., the future payments to be made to Scheme beneficiaries. While the weighting of the LDI Fund is specified as a portion of the overall portfolio, it is intended to be used only as a reference for monitoring purposes, as the LDI portfolio is designed to hedge the interest rate and inflation exposures inherent in the Scheme's liabilities and thus should not regularly be a part of any re-balancing considerations.

Leverage and collateral management

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI).

The Trustee has a stated collateral management policy / framework. The Trustee has agreed a process for meeting collateral calls should these be made by the Scheme's LDI manager. The Trustee will review and stress test this policy / framework on a regular basis.

Further details on this can be found in Appendix D.

Investment Management Arrangements

The Trustee has appointed various investment managers to manage the assets of the Scheme, as detailed in Appendix E. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention, and realisation of investments including taking into account all financially material considerations in making these decisions
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee take investment managers' policies into account when selecting and monitoring managers. The Trustee also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

With assistance from Isio, the Trustee monitors the continuing suitability of the Scheme's investments, including the appointed managers for all matters which are deemed to be financially material and engages with them on such matters. If Isio's monitoring indicates that an investment manager may no longer be appropriate, Isio will bring this to the attention of the Trustee who will consider with advice from Isio whether it should, and if so how best to, realise/disinvest from the investment manager's fund.

Below is a summary of areas covered by Isio's monitoring and how the Trustee seeks to engage on these matters with investment managers and other stakeholders.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustee receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Scheme's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receive information from their investment advisers on the investment managers' approaches to engagement • The Trustees will engage, via Isio, their investment advisor, with investment managers and/or other relevant persons about relevant matters	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. These include the pooled vehicles available for members' Additional Voluntary Contributions (AVCs). When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Additional Voluntary Contribution ("AVC") and Defined Contribution ("DC") benefits in the Scheme

The Scheme is closed to future accrual and there are therefore no members actively contributing AVCs. Some members of the Scheme have legacy AVC investments in one of two providers, Prudential or Utmost Life & Pensions ("Utmost Life"). Investments with Utmost Life were transferred from Equitable Life Assurance Society ("Equitable Life") in January 2020. Members with AVCs with Prudential invest in the With-Profits, Discretionary or Deposit Funds. Following the transfer of investments to Utmost Life, members' investments have been initially invested in a Cash Fund, and were gradually transferred over the first half of 2020 into the funds that make up the Invest by Age Strategy. Under the Invest by Age Strategy whilst members are younger their funds are invested in the Multi-Asset Moderate Fund and then gradually transfer to the Multi-Asset Cautious Fund and the Money Market Fund as the member approaches retirement age.

The Scheme does not generally provide DC benefits. However, the Scheme previously accepted a number of transfers into the Scheme that were on a money purchase basis subject to a GMP underpin ("the Transferred-in DC Benefits"). The Transferred-in DC Benefits were all invested in line with the Prudential Managed Fund, later re-named the Prudential Discretionary Fund (the "Discretionary Fund") and they have remained invested in that fund. Members with Transferred-in DC Benefits have not been offered alternative investment arrangements.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Agreed and signed by Jo Harris, for and on behalf of Dalriada Trustees Limited, the Trustee of the Interface Europe Pension Scheme.

Date: 9 October 2023

Appendix A – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee will not normally take into account the views of Scheme members and beneficiaries in the selection, retention and realisation of investments.

The Trustee adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the Sponsor's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the Sponsor becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustee take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	**Definition**	**Policy**
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Scheme invests within a Liability Driven Investment mandate, this mandate aims to hedge 100% of these risks whilst ensuring compliance with all regulatory guidance in relation to leverage and collateral management.

Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to meet regulatory guidance around providing collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away some unrewarded risks, where feasibly practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI signatory 6. UK Stewardship Code signatory The Trustees monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP share classes where possible to eliminate direct currency risk. To invest with managers that hedge exposure to foreign currency risk in underlying holdings, except where active currency positions are held.(1)
Non-Financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Notes: (1) The Scheme's direct lending manager, Permira, may have non-GBP principal investments which are hedged back with a portion of income hedged also.

Appendix B

Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance (“ESG”) issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme’s assets are subject to the investment manager’s own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment (“UN PRI”) or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers’ process, it will take this into account on whether to select or retain an investment.

Non-Financially Material Considerations

The Trustee has not considered non-financially material matters in the in the selection, retention and realisation of investments.

Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

Environmental, Social and Governance ("ESG") and Climate Change Risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

Appendix C – Trustee policies in relation to investment management

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	• The Scheme invests in pooled funds which are aligned to the strategic objective. The Trustee acknowledges that due to the nature of the pooled funds, the fund's investment strategy and decisions cannot be specifically tailored to the Trustee's policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective taking into account the fees being charged, which acts as the fund managers incentive. • The Scheme's Direct Lending mandates are subject to a performance related fee.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors performance relative to medium and long-term objectives regularly. • The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial performance of the underlying company. • The Trustee also considers the managers voting and ESG policies and how it engages with the company as it believes that these can factors can improve the medium to long-term performance of the investee companies. The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset

	classes, such as bonds, as they do not have voting rights. • The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial performance over the long term will lead to better returns for the Scheme. • The Trustee believes the annual fee paid to the fund managers incentivise them to do this. • If the Trustees feel that the fund managers are not assessing financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.	• The Trustee review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee assesses the performance over the time period stated in the investment managers' performance objective, which is typically over at least a 3 to 5 years when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered. • Investment manager fees as part of the manager selection process and reviewed annually by the investment consultant to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustee monitors the portfolio turnover costs on an annual basis. • The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of

	strategy the manager has been appointed to manager. • As part of the ongoing monitoring, performance is assessed by the investment consultant on a net of cost basis which takes into consideration any relevant turnover costs.

The duration of the Scheme's arrangements with the investment managers.	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in.
	  ○ For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees' objectives and Scheme's liquidity requirements.
	  ○ For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
	• Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Voting Policy - How the Trustees expect investment managers to vote on their behalf	• The Trustee has acknowledged responsibility for the selection of the Scheme's investment managers and as such their voting policies that are implemented on behalf of the Trustee. • The Trustee, via its investment advisers, will monitor the performance of the Scheme's investment managers and their voting in respect of underlying investee undertakings. The Trustee will feedback to investment managers about 'relevant matters' (including ESG) at least annually.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters' (including ESG)	• The Trustee has acknowledged responsibility for the selection of the Scheme's investment managers and as such acceptance of the investment

	managers' engagement policies that are implemented on behalf of the Trustee. • The Trustee, via its investment advisers, will monitor the performance of the Scheme's investment managers and their engagement with underlying investee undertakings. The Trustee will feedback to investment managers about 'relevant matters' (including ESG) at least annually.

Appendix D

Collateral Management Policy

At the time of writing, the Trustee are targeting a level of collateral over and above that within the Scheme's LDI funds that is sufficient to withstand (at least) one collateral call from each of the Scheme's LDI funds.

The Trustee will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustee also have a framework for topping up the collateral.

Trigger	Action	Responsibility
Pooled LDI fund issues capital call	Assets sold from below collateral waterfall to meet capital call	LDI manager

The latest collateral waterfall is set out below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustees.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	Cash	Daily frequency	T-1	T+2
LDI manager	Absolute Return Bonds	Daily frequency	T-1	T+2

Appendix E

Investment mandates

The Trustee has invested the majority of Scheme assets in pooled funds managed by the following investment managers, with the allocation to Direct Lending invested with Permira in a Limited Partnership. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Fund Manager	**Fund**	**Proportion %**	**Performance Target (net of fees)**	**Fees**
Legal & General Investment Management Limited (“L&G”)	Matching Core Liability Driven Investment	47.5	N/A	0.24% p.a. on the first £25 million of assets and 0.17% thereafter.
	Cash Fund		SONIA	0.125%
	Absolute Return Bonds	22.5	SONIA	0.25%
Permira Debt Managers Limited (“Permira”)	Permira Credit Solutions II[1]	20.0	IRR of 6-8%	0.75% p.a. There is also a performance fee of 10% subject to a preferred return of 5%.
	Permira Credit Solutions IV[2]		IRR of 6-8%	
Apollo Global Management	Total Return Fund	10.0	SONIA + 6-8% p.a.	Due to a fee concession offered by Apollo, the Scheme’s preferential management fees are 0.65% p.a.

Notes: (1) The Scheme committed £16m to the Fund, which has matured and is now in the process of distributing capital back to the Scheme.
(2) The Scheme has committed £18m to the Fund, which has matured and is now in the process of distributing capital back to the Scheme.

The Trustee will monitor the allocation between the managers quarterly and take any corrective action, as they see appropriate, in addition cashflows can help maintain the benchmark manager structure (as far as is practicable).

The Trustee acknowledges that the Scheme’s allocation to LDI is expected to move in a similar manner to the Scheme’s liabilities, and therefore it may not be beneficial to maintain the benchmark allocation over the long term. The Trustee will monitor this allocation on a quarterly basis.