YKK (UK) LIMITED RETIREMENT AND DEATH BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

MAY 2025

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the YKK (UK) Limited Retirement and Death Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles. In preparing the Statement, the Trustees have:

- obtained and considered advice from a suitably qualified firm in Mercer Limited ("Mercer"). Mercer is authorised and regulated by the Financial Conduct Authority for a range of business activities; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to reduce volatility of the assets when compared to the liabilities. To achieve this objective, the Scheme will invest in a portfolio of assets that possess similar characteristics to the liabilities. The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment manager and investment adviser
- The assessment and review of the performance of the investment manager and investment adviser
- The setting and review of the investment parameters within which the investment manager can operate
- The assessment of the risks assumed by the Scheme at total Scheme level and by investment mandate
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as an investment adviser to the Scheme.

Matters on which the Trustees seek advice include, but are not limited to, the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Selecting and replacing investment managers
- Monitoring the Scheme's investment arrangements
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees seek advice from an investment adviser with regard to strategic investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2).

The Trustees are aware of the remuneration structures available, and will satisfy themselves as to the most appropriate remuneration structure for any work that is requested.

The Trustees will ensure that any investment advisers who they request work from will be authorised and regulated by the appropriate regulatory body.

3.3 ARRANGEMENT WITH INVESTMENT MANAGERS

The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees have appointed Legal and General Investment Management ("LGIM") to manage the assets of the Scheme. The details of the mandates with LGIM are set out in Appendix 3.

LGIM is authorised by the Prudential Regulation Authority ("PRA") and regulated by both the PRA and FCA.

LGIM was appointed by the Trustees after taking appropriate investment advice. The appointment is based on LGIM's capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees mainly invest in passively-managed pooled investment vehicles which provide exposure to gilt and index-linked gilt instruments within the LDI mandate. They also invest in a passively-managed pooled corporate bond portfolio and an actively-managed liquidity fund. The entirety of the Trustees' investments are managed on a discretionary basis by LGIM. The Trustees therefore accept that they have no ability to specify the risk profile and return targets of each pooled investment vehicle managed by LGIM, but believe that appropriate pooled investment vehicles can be selected to align with the overall investment strategy.

The Trustees do not select investment managers / funds with a view to holding these for a pre-specified time period. Instead, these are selected with a view to how these fit with and assist the Trustees in meeting their long-term strategic objectives. LGIM or an investment mandate will only be replaced if:

- The strategic objectives of the Scheme change such that the offering provided by LGIM / fund is no longer appropriate in context of the Trustees achieving their long-term strategic objective;
- The objective(s) of LGIM / fund changes such that it is no longer fitting with the long-term strategic objectives of the Trustees.

The Trustees are responsible for overseeing the construction and monitoring of the Scheme's LDI assets. The Trustees have delegated this responsibility of day-to-day management of the matching portfolio to LGIM via the Enhanced Service Agreement "ESA".

LGIM are responsible for monitoring the level of hedging achieved by the Scheme's assets and altering the composition of the Scheme's LDI assets to keep the hedge ratio within defined limits. Hedge ratios are expressed relative to the Scheme's Liability Benchmark Portfolio which aims to mirror the Scheme's liability sensitivities to interest rates and inflation expectations.

In achieving the Scheme's target hedge ratios the Trustees are responsible for ensuring that collateral levels within the LDI portfolio are sufficient to ensure the hedge is sustainable. Monitoring of collateral levels and implementation of collateral calls is delegated to LGIM. LGIM are responsible for setting and monitoring the collateral levels within the pooled LDI funds the Scheme invests in. Under the ESA, a framework is in place to provide additional collateral to the LDI funds if required. When determining how the framework will work in practice the Trustees have taken the liquidity of the Scheme's assets into account.

LGIM is responsible for the decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

If the investment objective for any of the funds change, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

LGIM is remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme and a fixed fee in relation to the enhanced service. Performance-based fees are typically not applicable to passively managed funds. Accordingly, LGIM doesn't have performance-based fees which could encourage the manager to make short-term investment decisions to hit their profit targets. As the Trustees are long-term investors, this encourages LGIM to take a medium- to long-term view, which in turn encourages the investment manager to engage with issuers of debt in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are satisfied that this the most appropriate basis for remunerating the investment manager and is consistent with the Trustees' policies as set out in this Statement.

3.4 SCHEME ACTUARY’S DUTIES AND RESPONSIBILITIES

The Scheme Actuary’s responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Scheme’s investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels.

3.5 ADMINISTRATOR’S DUTIES AND RESPONSIBILITIES

The Administrator’s responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees’ instructions.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme’s liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer’s appetite for risk, and the strength of the Sponsoring Employer’s covenant. The Trustees have also received advice from a suitably qualified individual, employed by Mercer.

The Trustees’ investment objective is to reduce volatility of the assets when compared to the liabilities. In targeting this objective , the Trustees agreed to remove the “growth” asset allocation in the Scheme’s assets and solely invest in “stabilising” assets, comprising corporate bonds and liability driven investment, managed as part of an Enhanced Service Agreement (ESA). Additionally, the Trustees have incorporated 95% interest rate and inflation hedge ratios in its strategy, relative to the liability benchmark portfolio on the Mercer Solvency basis. This represents a pragmatic solution to reduce risk versus the liabilities.

The Trustees regard the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile. They have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2 INVESTMENT DECISIONS

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked

- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- LDI products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in the members' and the Scheme's best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme's assets are invested in passively managed LDI funds as part of the Enhanced Service Agreement and a passively managed corporate bond portfolio. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their manager invests.

However, the Trustees recognise that the investment manager can engage with the underlying companies and stakeholders to enable better outcomes for the Scheme. The Trustees will therefore rely on LGIM's policies and judgements.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise any voting rights should be left with LGIM, who will exercise any rights in accordance with their respective published corporate governance policies. The Trustees note that the LGIM's corporate governance policies are available on request and on their website. These policies take into account the financial interests of shareholders and should be for the Scheme's benefit.

4.7 STEWARDSHIP

The Trustees will monitor the investment performance, strategy, risks, ESG policies and corporate governance of the investment manager(s). If the Trustees have any concerns, they will raise them with the investment adviser, verbally or in writing.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

ESG

Environmental

- This is the risk that improper, or inadequate, consideration of environmental factors could lead to adverse investment performance and / or reputational damage to the Scheme.
- The day-to-day management of environmental risk is the responsibility of the companies in which the Scheme's underlying managers have invested. It is the responsibility of the investment manager to engage with the underlying companies on these matters.

Social

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and external to a company, e.g. internal factors could include workplace health & safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day-to-day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the investment manager to engage with the underlying companies on these matters.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk.

Inflation risk

- This is the risk that an investment's value will change due to a change in the level of expected inflation. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the inflation risk related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of inflation risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of inflation risk.

Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio.
- The Trustees acknowledge that the Scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

The Trustees acknowledge the interest rate and inflation risks referred to above. To address these risks, a liability driven investment ("LDI") framework has been developed which seeks to reduce the mismatch between the sensitivity of the assets and the estimated solvency liabilities to changes in interest rates and inflation. The Trustees recognise that the target LDI portfolio will not produce a perfect match for the estimated solvency liability values. Furthermore, the Trustees acknowledge that there are different measures for calculating the estimated solvency liabilities that may not be perfectly matched by the LDI assets held.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

In line with the Competition and Markets Authority (CMA) requirements, the Trustees have set the investment adviser strategic objectives. The Trustees will assess and review the performance of the adviser based on these objectives.

6.2 INVESTMENT MANAGERS

The Trustees receive regular valuations and quarterly monitoring reports on the performance of the underlying funds from LGIM.

The Trustees have the role of replacing the underlying investment managers where appropriate. They take a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns.

Changes will also be made to the underlying managers if there is a strategic change to the overall strategy such that the Scheme no longer requires exposure to that asset class or manager.

6.3 PORTFOLIO TURNOVER COSTS

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments. The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that these costs are reduced due to the lower use of leveraged funds following implementation of the ESA. This subsequently will keep the management charges lower, as well as reduced cost from the provision of advice for future collateral rebalancing and implementation support. The Trustees monitor the overall fund costs for the pooled funds that the Scheme invests in.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range. The Trustees will work with the investment adviser to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested.

Given that the Scheme invests in pooled funds, the Trustees do not have an overall portfolio turnover target for the Scheme.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustees hold assets which are separately invested from the main fund with Prudential Assurance Company Limited to secure additional benefits on a money purchase basis for those members who have elected to pay Additional Voluntary Contributions.

Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and movements during the year.

8 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released ‘Investment Guidance for Defined Benefit Pension Schemes’.

The Trustees are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme’s circumstances.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary. A copy of the Scheme's current Statement is publically available online.

This Statement, taken as a whole with the Appendices, supersedes all others.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation
Stabilising Assets	
Corporate Bonds	15.0%
LDI	85.0%
Total	**100.0%**

The expected excess return (above liabilities, as measured on the estimated Mercer solvency basis) from the strategic asset allocation shown below is approximately 0.3% p.a..

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Given the Scheme expects a number of members to retire in the near future, the hedging solution maintains sufficient flexibility around its cash holdings to pay members' benefits.

LGIM actively manage the Scheme's LDI mandate in line with terms outlined in the Enhanced Service Agreement, therefore there is a materially lower allocation to the Sterling Liquidity Fund, with cashflows into the LDI mandate automatically used to reduce leverage. Should the Scheme wish to raise cash from the LDI portfolio, LGIM will switch from unleveraged to leveraged gilt or index-linked gilt funds and make the cash available to the Scheme whilst maintaining the target hedge ratios.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme invests in a combination of passively managed pooled funds with Legal & General Investment Management ("LGIM"). The tables below show the details of the mandates.

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Corporate Bonds				
LGIM Investment Grade Corporate Bond Fund – Over 15 Year Index Fund	Markit iBoxx £ Non-Gilts (ex-BBB) Over 15 Years Index	To track the benchmark to within +/-0.5% p.a. for two years out of three.	Weekly	(b) / 2
LDI				
LGIM LDI portfolio	See below		Weekly	(b) / 2

LDI Portfolio

The Trustees' policy is to target a hedge ratio of 95% of Scheme liabilities measured on an estimated "Mercer Solvency" basis. The Trustees delegate responsibility for the management of leverage within the pooled funds in which the Scheme invests to the LGIM, who aim to comply with the recommendations set out by the Pensions Regulator, and other bodies.

The Trustees implemented LGIM's Enhanced Service to manage 85% of total Scheme assets in gilts, leveraged gilts and cash. The Enhanced Service Agreement allows LGIM the discretion to manage the allocation of underlying within the LDI mandate and to ensure the target hedge ratios are achieved. LGIM are given hedge ratio tolerance ranges of +/-3% at various maturity points and +/-3% at the total level to manage the portfolio against. LGIM monitor the portfolio against these tolerances daily, to ensure the hedge remains an accurate reflection of the Scheme's liability benchmark portfolio. Should the hedge drift outside of tolerance, LGIM will rebalance the portfolio. Collateral calls on leveraged LDI funds are managed by LGIM. This reduces ongoing governance for the Trustees and the need to receive advice and implementation support for each collateral call.

LGIM manage the Scheme's LDI mandate in line with terms outlined in the Enhanced Service Agreement, therefore there is a materially lower allocation to the Sterling Liquidity Fund, with cashflows into the LDI mandate automatically used to reduce leverage. Should the Scheme wish to raise cash from the LDI portfolio, LGIM will switch from unleveraged to leveraged gilt or index-linked gilt funds and make the cash available to the Scheme whilst maintaining the target hedge ratios.