STATEMENT OF INVESTMENT PRINCIPLES
August 2022

THE DYLON RETIREMENT BENEFIT PLAN

1. **Introduction**

The purpose of this Statement of Investment Principles (the “Statement”) is to record the investment arrangements adopted by the Trustee of the Dylon Retirement Benefit Plan (“the Plan”). This Statement has been prepared by the Trustee of the Dylon Retirement Benefit Plan (“the Plan”) to comply with the requirements of the 1995 Pensions Act as amended by the Pensions Act 2004 (the “Act”), the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, and subsequent legislation. It is also intended to fulfil the spirit of the Code of Best Practice (the “Myners Code”) published in 2001 and revised in 2008.

The Statement supersedes all other Statements of Investment Principles previously adopted in relation to the Plan.

In preparing this Statement, the Trustee has consulted Henkel Ltd (‘the Company’), to ascertain whether there are any material issues of which the Trustee should be aware in agreeing to the Plan’s investment arrangements. The Trustee is aware of its powers under the Scheme rules and believes that this Statement aligns with them.

The Trustee has entered into a bulk annuity contract with Pensions Insurance Companies Limited (“PIC”) in respect of all of the Plan’s members who have accrued benefits in the Plan. This was funded out of existing assets and a balancing payment from the Company.

The Trustee believes that the general requirements around the contents of a Statement of Investment Principles are no longer applicable to the Plan, as all of the Plan assets are represented by this annuity contract, with the exception of a small cash reserve to meet residual cashflow requirements, and some Additional Voluntary Contributions (AVCs).

The remainder of this Statement sets out the Trustee’s policies where relevant.

2. **Process for choosing investments**

The principal asset of the Plan is an insurance policy written by PIC, a UK insurance company authorised by the Prudential Regulation Authority (“PRA”) and regulated by the PRA and the Financial Conduct Authority (“FCA”). Under the policy, PIC is obligated to make payments to the Trustee in order to meet the Trustee’s liabilities to the Plan’s beneficiaries in respect of the benefits insured under the policy. PIC’s liability is to the Trustee and not to the underlying beneficiaries at the present time.

The Trustee has selected PIC as the Plan’s annuity provider having obtained and considered the written advice of Mercer whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). Should anything change that brings into question the suitability of PIC, the Trustee will take appropriate advice.

3. Investment Objectives

The Trustee is required to invest the Plan's assets in the best interests of the members, beneficiaries and Company and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. To this end, existing assets in conjunction with a balancing payment from the Company were used to fund the purchase of a bulk annuity contract. Under the contract, PIC will provide payments to the Trustee in line with the benefits promised by the Plan.

4. Risk Management and Measurement

The Trustee has considered the following risks relevant to its situation in relation to investment:

i. Failure of the annuity provider. The Trustee has taken appropriate advice and paid close attention to the security and operational soundness of the chosen annuity provider at the point of purchase.

ii. Lack of diversification. The Trustee recognises that the decision to invest in a bulk annuity contract with a single provider represents a concentration of risk and have addressed this through scrutiny of the provider.

iii. Default by the Scheme Sponsor. The Trustee proceeded with the purchase of the bulk annuity contract only after the Company committed sufficient funds to ensure solvency on wind-up. The Trustee noted that the purchase of annuity contracts materially reduces the Plan's exposure to the risks arising from default by the Company.

iv. Illiquidity. The Trustee does not expect to be able to obtain cash from the annuity contract other than to meet promised benefits as agreed with the provider. It has therefore ensured that the contract meets all required benefits or if there are small differences prior to wind-up funds will be obtained from the Company in order to settle them. The Trustee holds a very small cash reserve to meet residual cashflow requirements. The Trustee will therefore be reliant on the Company to meet any unexpected expenses that may arise.

5. Align Manager Appointments with Investment Strategy

For the AVC assets, the provider, Prudential Assurance Company Limited has been appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

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

As the Trustee invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets of the funds, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis. For the AVC funds, there is no set duration for the appointment of Prudential Assurance Company Limited. The Trustee will retain the AVC provider unless:

i. The manager appointment has been reviewed and the Trustee has decided to terminate – see policy statement on realisation of assets.

ii. The Plan is wound up

6. Socially Responsible Investment and Corporate Governance

Given the assets are fully invested in an annuity contract, the Trustee has decided it is no longer relevant to adopt a policy on these issues outside of the Plan's AVC arrangements.

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. With respect to the AVC investments, the Investment Manager has full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments.

The Trustee does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the AVC provider, who are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.

The Trustee expects details of voting and engagement activities associated with each of the AVC funds invested in, to be available if requested. Should the need arise, the Trustee may challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the plan.

7. Compliance with this Statement

The Trustee monitors compliance with this Statement on a regular basis.

8. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes 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 plan investments.

Signed on behalf of the Trustee of the Dylon Retirement Benefits Plan by GC Ashton.

Date 22 August 2022