STATEMENT OF INVESTMENT PRINCIPLES

JULY 2017

ACHESON INDUSTRIES (EUROPE) LIMITED RETIREMENT BENEFITS SCHEME

1. **Introduction**

The Trustees of the Acheson Industries (Europe) Limited Retirement Benefits Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") as amended, the Occupational Pension Schemes (Investment) regulation 2005 as amended, and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

In preparing this Statement the Trustees have consulted Henkel Ltd ('the Company'), to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements.

The Trustees have entered into a bulk annuity contract with Aviva Annuity UK Limited ("Aviva") in respect of all of the Scheme's members who have accrued benefits in the Scheme. This was funded out of existing assets and a balancing payment from the Company.

The Trustees believe that the general requirements around the contents of a Statement of Investment Principles are no longer applicable to the Scheme, as all of the Scheme assets are represented by this annuity contract, with the exception of a very small cash reserve to meet residual cashflow requirements.

The remainder of this Statement sets out the Trustees' policies where relevant.

2. **Process for choosing investments**

The principal asset of the Scheme is an insurance policy written by Aviva, 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, Aviva is obligated to make payments to the Trustees in order to meet the Trustees' liabilities to the Scheme's beneficiaries in respect of the benefits insured under the policy. Aviva's liability is to the Trustees and not to the underlying beneficiaries at the present time.

The Trustees have selected Aviva as the Scheme'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 Trustees' 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 Aviva, the Trustees will take appropriate advice.

3. Investment Objectives

The Trustees' ultimate objective is to ensure they can meet their obligations to the beneficiaries of the Scheme. 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, Aviva will provide payments to the beneficiaries in line with the benefits promised by the Scheme.

4. Risk Management and Measurement

The Trustees have considered the following risks relevant to its situation in relation to investment:

i. Failure of the annuity provider. The Trustees have 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 Trustees recognise 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 Trustees proceeded with the purchase of the bulk annuity contract only after the Company committed sufficient funds to ensure solvency on wind-up. The Trustees note that the purchase of annuity contracts materially reduces the Scheme's exposure to the risks arising from default by the Company.

iv. Illiquidity. The Trustees do 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 Trustees hold a very small cash reserve to meet residual cashflow requirements. The Trustees will therefore be reliant on the Company to meet any unexpected expenses that may arise.

5. Cashflow Policy

Benefits are met out of the annuity contracts. The Trustees have maintained an appropriate level of cash for residual payments anticipated prior to wind-up.

6. Socially Responsible Investment and Corporate Governance

Given the assets are fully invested in an annuity contract, the Trustees have decided it is no longer relevant to adopt a policy on these issues.

7. Compliance with this Statement

The Trustees monitor compliance with this Statement on a regular basis.

8. Review of this Statement

The Trustees 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 Trustees 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 scheme investments.

For and on behalf of The Trustees of the Acheson Industries (Europe) Limited Retirement Benefits Scheme