STATEMENT OF INVESTMENT PRINCIPLES
September 2020
Jeyes UK Pension Scheme

1. **Introduction**

The Trustee of the Jeyes UK Pension Scheme ("the Scheme") has 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 Trustee has consulted Henkel Ltd ('the Company'), to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme'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 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The Trustee believes that the general requirements around the contents of a Statement of Investment Principles are no longer applicable to the Scheme, as all of the Scheme assets are represented by this annuity contract, with the exception of a small cash reserve to meet residual cashflow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 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 Trustee in order to meet the Trustee's liabilities to the Scheme's beneficiaries in respect of the benefits insured under the policy. Aviva's liability is to the Trustee and not to the underlying beneficiaries at the present time.

The Trustee has 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 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 Aviva, the Trustee will take appropriate advice.

3. Investment Policy

3.1 Investment Objectives

The Trustee's ultimate objective is to ensure it can meet its 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 Trustee in line with the benefits promised by the Scheme.

3.2 Investment Strategy and Structure

All of the Scheme's assets are represented by their contract with Aviva, with the exception of a small cash reserve and residual AVC assets which are invested with Utmost Life (previously Equitable Life).

3.3 Aligning Manager Appointments with Investment Strategy

For the AVC assets, the provider, Utmost (previously Equitable Life),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.

3.4 Mapping Exercises in respect of Utmost Life formerly Equitable Life

On 1 January 2020, members invested in the AVC policy with Equitable Life had their assets transferred to Utmost. Assets formerly invested in the Equitable Life With Profits Fund were transferred to the Secure Cash Fund. The transfer was carried out as a bulk transfer on a non-consent basis and as a result, the Secure Cash Fund was classified as a Default Arrangement in line with regulations

Following the move to the Secure Cash Fund, from 1 July 2020, assets are being moved over a 6 month period out of the Secure Cash Fund into the Utmost Money Market Fund. This is also being undertaken on a non-consent basis. This transfer is being carried out following advice received from the Trustee's investment advisor due to the removal of the Secure Cash Fund from the Utmost fund range. Other, unit-linked holdings, were not affected by these changes.

The main objectives of the Utmost Life Money Market Fund are capital preservation and liquidity. The Trustee notes that the Money Market Fund value is unlikely to keep pace with inflation. The Money Market Fund predominately invests in UK Treasury Bills, short term gilts and overnight bank deposits. Utmost is responsible for determining the balance between these different kinds of investments.

The Aim of the Default Arrangement:

- In designing the Default Arrangement, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from the Default Arrangement and choose their own investment strategy at any time.
- Assets in the Default Arrangement are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in the Default Arrangement are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested in pooled funds which are daily dealing and readily realisable.

3.4 The Trustee's Policy With Regard To Risk Management and Measurement

The Trustee recognises the following main sources of risk as relevant to their 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 a decision to invest in an annuity contract with a single provider represents a concentration of risk and has addressed this through scrutiny of the provider and regulatory framework.

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 notes that the purchase of the annuity contract materially reduces the Scheme's exposure to the risks arising from any potential default by the Company.

iv. Illiquidity. The Trustee does not expect to be able to obtain cash from the bulk annuity policy 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 will therefore be reliant on the Company to meet any unexpected expenses that may arise.

4. Portfolio Turnover costs (AVC assets)

4.1 The Trustee does not currently actively monitor the portfolio turnover costs of the assets for members' AVCs. In the future, the Trustee expects these to be available upon request.

4.2 The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.

5. Manager Turnover

5.1 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 Utmost. 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 Scheme is wound up

6. Socially Responsible Investment and Corporate Governance

6.1 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 with Utmost, the Investment Manager has full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments.

6.2 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 Utmost (Equitable Life), who are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.

6.3 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 scheme.

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 scheme investments.

The Trustee of the Jeyes UK Pension Scheme