

Addendum to the Statement of Investment Principles

SPX UK Pension Scheme

Effective from: 12 April 2024

This addendum to the Statement of Investment Principles (“SIP”) for the SPX UK Pension Scheme (the “Scheme”) has been produced by the Trustee of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme’s investment arrangements.



Part 1:

Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.

1. Trustees

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary.

2. Platform provider

The investment platform providers are responsible for:

- providing access to a range of funds managed by various investment managers

- providing us with regular information concerning the management and performance of the assets.

3. Investment managers

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation
- taking account of financially material considerations (including climate change, net zero alignment and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

The investment adviser's responsibilities include:

- for the DB Section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
- for the DB Section, advising on and monitoring liability hedging and collateral management

- for the DC Section, advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations)
- supporting the Trustee in achieving the Scheme net zero ambition, including through manager selection, monitoring and engagement
- assisting us with reviews of this SIP

5. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms with the Scheme's investment adviser, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

6. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:

Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time
- the agreed journey plan and employer contributions
- the Scheme's long-term and shorter-term funding targets
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Scheme's cash flow and target return requirements
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

For the DB Section, a key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

In the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available that can be expected to produce adequate real returns over the longer term. Accordingly, equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Scheme's assets. We believe that the Scheme's DB assets and DC default strategy are adequately diversified between different asset classes and within each asset class, and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme's investment arrangements.

Equity risk

We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Credit risk

The Scheme is subject to credit risk because it invests in bonds via pooled funds. This risk is managed by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invest in bonds that are classified as "investment grade".

Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy and believe that it diversifies the strategy and is appropriate.

Furthermore, we manage the amount of currency risk by investing in pooled funds that hedge currency exposure or implement separate currency hedging arrangements. The Trustee currently aims to hedge 75% of exposure to foreign currency risk in the Scheme's overseas equity portfolio, and 100% of foreign currency risk throughout the remainder of the Scheme's overseas holdings, back to Sterling.

Interest rate and inflation risk

The DB Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bond funds and Liability Driven Investment ("LDI") funds. However, the interest rate and inflation exposure of the Scheme's assets provide protection (hedges) as part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and we monitor how this risk is being managed in practice. Both us and our investment adviser encourage our managers (where practical) to set credible net zero targets for the funds in which we invest and to align our investments with net zero greenhouse gas emissions by 2050 to help drive real world emissions reduction and reduce systemic risks relating to climate change. We monitor and engage with our managers on their progress towards net zero alignment.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately and monitor how these risks are being managed in practice.

Illiquidity/marketability risk

For the DB Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. We are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the DC Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. We manage this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, Columbia Threadneedle makes use within its fund of derivative and gilt repos contracts and this fund is used to match efficiently a portion of the Scheme's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

Collateral adequacy risk

The Scheme is invested in leveraged LDI arrangements to provide hedging protection against adverse changes in interest rates and inflation expectations. From time to time, depending on market movements, additional cash may need to be invested in the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Scheme's

liability hedging could be reduced, potentially leading to a worsening of the Scheme's funding level.

To mitigate this risk, the Trustee has a collateral management process in place, which is reviewed and updated periodically. This sets out clearly the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. As part of, the Trustee periodically monitors the impact of movement in interest rates and inflation expectations and how that compares to the change that can be supported by the assets invested in the LDI arrangements and those directly supporting those arrangements.

The Trustee has also given consideration to what further measures could be taken should the assets referred to in the leverage management plan prove insufficient to support the LDI arrangements, for example, raising additional money from other Scheme assets and/or sourcing money from the employer in the short term.

Risk from excessive charges

Within the DC Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent good value for members.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements.

Examples for the DB Section include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

Part 3:

Investment manager arrangements

Details of the investment managers are set out below.

Defined Benefit Section

Columbia Threadneedle Investments (“CT”) – Liability Driven Investment (LDI) and Money Market Cash

The Scheme invests in LDI through a range of pooled leveraged gilt funds. The Scheme first invested in these funds in May 2023. The objective of the LDI funds is to provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.

The Scheme also invests money market cash via a pooled fund called the Sterling Liquidity Fund. The Scheme first invested in this fund in June 2023. **The objective of the liquidity fund is to provide high levels of liquidity, preserve capital and generate a return in line with the GBP 7-Day LIBID.** The fund is priced daily, open-ended and unlisted.

The CT funds are priced daily, open ended and are unlisted.

Columbia Threadneedle Investments (“CTI”) – Short Duration Credit

The Scheme invests in short-dated credit via a pooled fund called the Global Low Duration Credit Fund. The Scheme first invested in this fund in March 2024. The fund has no formal benchmark but informally measures performance against low duration gilt and credit indices.

The fund is priced daily, is open ended and unlisted.

Legal & General Investment Management (“LGIM”) – Long Dated Corporate Bonds

The Scheme invests in long-dated corporate bonds via a pooled fund called the Investment Grade Corporate Bond – Over 15 Year – Index Fund. The Scheme first invested in this fund in March 2024. The fund aims to track the performance of the Markit iBoxx £ Non-Gilts Over 15 Years Index to within +/-0.5% p.a. for two years out of three.

The fund is priced weekly, is open ended and unlisted.

Man Group – Diversified Risk Premia

The Scheme invests in diversified risk premia via a pooled fund called the Diversified Risk Premia. The Scheme first invested in this fund in July 2020. There is no formal benchmark for the fund, but we monitor its performance against SONIA + 3.0% pa.

The fund is priced daily, is open ended and unlisted.

TwentyFour – Multi Asset Credit

The Scheme invests in multi-asset credit via a pooled fund called the Strategic Income Fund. The Scheme first invested in this fund in December 2017. There is no formal benchmark for the fund, but we monitor its performance against SONIA + 2.5% pa.

The fund is priced daily, is open ended and unlisted.

LGIM – Low Carbon Equities

The Scheme invests in overseas equities via pooled funds called the Low Carbon Transition Global Equity Funds. The Scheme first invested in this fund in February 2023. The objective of these funds is to track the return of their respective Solactive Indices, to within +/- 0.60% per annum for two years out of three.

The fund is priced weekly, is open ended and unlisted.

Additional Voluntary Contributions

Prudential is the provider of AVC arrangements in the Scheme. The options available to members are as follows:

- Prudential Dynamic Global Equity Passive Fund
- Prudential With-Profits Cash Accumulation Fund

Defined Contribution Section

Members are provided with clear information on the investment options and their characteristics, so they can make an informed choice. Members can choose from a range of mainly passively managed self-select funds and a lifestyle strategy. The default option is a lifestyle strategy. Details of the options are set out below.

The fund options are provided to members via an investment only platform arrangement with Aegon. The funds are priced daily. The funds are open ended and are listed.

Default option

Members that do not make an active choice regarding their investments are placed in the default option. The default is structured as a “lifestyle”, which means it follows a pre-set investment strategy. In the strategy, there is automated switching to move members’ funds from higher risk/return investments into lower risk/return investments as retirement approaches. The strategy is set out below.

Default option – percentage allocations by fund

Years to retirement ¹	Aegon BlackRock 70/30 Global Equity Index	Aegon BlackRock Emerging Markets Equity Index	Aegon BlackRock Over 15 Year Corporate Bond Index	Aegon BlackRock Corporate Bond All- Stocks Index	Aegon BlackRock All-Stocks UK Index Linked Gilt Index	Aegon BlackRock Cash
30	53	22	25	0	0	0
25	50	20	30	0	0	0
20	50	20	30	0	0	0
15	50	20	30	0	0	0
10	48	20	27	5	0	0
9	45	20	25	10	0	0
8	42	20	23	15	0	0
7	38	20	20	20	2	0
6	37	18	15	25	5	0
5	35	17	10	30	8	0
4	35	13	5	35	10	2
3	35	8	2	40	10	5
2	32	3	0	43	12	10
1	27	0	0	45	13	15
0	20	0	0	45	15	20
-1	17	0	0	45	15	23
-2	15	0	0	45	15	25
-3	15	0	0	45	15	25

¹There are no members invested in the lifestyle above 30 years to retirement, so the allocations beyond this point have not been included.

Passively managed self-select fund options

All of the passive funds are wrapped by Aegon and managed by BlackRock and Legal and General Investment Management (“LGIM”), with the objective of tracking their benchmark return.

Fund	Benchmark
Aegon BlackRock 70/30 Global Equity Index	70% FTSE All Share Index, 30% ABI 40-85 Sector Index
Aegon LGIM Global Equity 50/50 Index	50% FTSE All Share Index, 17.5% FTSE All World North America Index, 17.5% FTSE All World Europe (ex UK) Index, 8.75% FTSE All World Japan Index, and 6.25% FTSE All World Asia Pacific (ex Japan) Index
Aegon BlackRock UK Equity Index	FTSE All Share Index
Aegon LGIM Overseas Equity Consensus Index	FTSE All World ex UK Net Tracker
Aegon BlackRock Emerging Markets Equity Index	MSCI Global Emerging Markets Index
Aegon BlackRock Over 15 Year Corporate Bond Index	iBoxx £ Non-Gilts Over 15 Years Index
Aegon BlackRock Corporate Bond All-Stocks Index	iBoxx £ Non-Gilts Index
Aegon BlackRock All-Stocks UK Index Linked Gilt Index	FTSE UK Gilts Index-Linked
Aegon BlackRock Long Gilt	FTSE Actuaries Over 15 Year Gilts Index

Actively managed self-select fund options

The following actively managed funds are available as self-select options:

- Aegon BlackRock 70/30 Global Growth Fund. The objective of this fund is to produce a return in excess of its benchmark.
- Aegon BlackRock Cash Fund. The objective of this fund is to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money-market instruments.

Part 4: Stewardship

Stewardship priorities

We have selected some priority themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We will review them regularly and update them if appropriate. Our current priorities are climate change; diversity, equity and inclusion; and business ethics.

We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore we believe it is in our members' best interests that our managers adopt strong practices in these areas.

We write to our investment managers periodically to notify them of our stewardship priorities, set out viewpoints and issues of interest and remind them of our expectations of them in relation to responsible investment – ie ESG considerations, climate change, voting and engagement.

Manager selection

We aim to appoint investment managers that have strong responsible investment skills and processes and have a preference for managers and funds with net zero targets and credible plans to meet them. We therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative.

When selecting new managers, we consider our investment consultant's assessment of potential managers' capabilities in this area. If we meet prospective managers, we usually ask questions about responsible investment, focusing on our stewardship priorities.

Manager monitoring and engagement

We receive information regularly to enable us to monitor our managers' responsible investment practices and check how effective they're being.

This information includes metrics such as our investment consultant's responsible investment grades for each manager, whether they are signatories to responsible investment initiatives, and (where available)

carbon emissions data for our mandates. It also includes a selection of voting, engagement examples relating to our stewardship priorities. The examples are chosen to reflect our stewardship priorities and material mandates over the course of the scheme year (although not necessarily every priority for every mandate).

Implementation statement including most significant votes

Following the end of each Scheme year, we prepare a statement which explains how we have implemented our Statement of Investment Principles during the year. We publish it online for our members to read.

In the statement, we describe how our managers have voted on our behalf during the year, including the most significant votes cast. In choosing the significant votes, we have regard to whether the votes relate to one of our stewardship priorities.