Registered in England No. 858856

Statement of Investment Principles for the RITTAL-CSM Ltd Pension Scheme

RITTAL

1.0 Introduction

1.1 Scheme Details

This document sets out the Statement of Investment Principles (the "Statement") adopted by Trustees of the Scheme. Origen Trustees were appointed as the Scheme Advisor.

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries.

The Scheme was established by Trust and is a Defined Benefit Scheme in which a member's pension is based broadly on the number of years' service and final salary with an employer.

Members were contracted-out of the Second State Pension under the Pension Schemes Act 1993 until April 2016 when Contracting Out ceased.

The Scheme is an occupational pension scheme registered with HM Revenue & Customs.

Administration of the Scheme is the responsibility of the Trustees and delegated to a third party Administrator.

The Trustees are responsible for the investment of the Scheme's assets.

The Statement of Investment Principles can be made available to the Scheme's membership on request.

1.2 Pensions Act 1995

Under the Pensions Act 1995 (the "Act") and as amended by the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005, Trustees are required to prepare a statement of the principles governing the Scheme's investments. This document fulfils that requirement for the Scheme.

The Trustees will consult the Principal Employer when there are changes to the investment policy as set out in this document and the appointment or removal of an Investment Manager.

In preparing the Statement, the Trustees have sought advice from the Scheme's Actuary and also conferred with the Investment Manager. It is the intention of the Trustees to review the Statement annually and following a formal actuarial valuation and also following any revision of investment policy.

This document has been drafted in the light of the Myner's Principles and specifically Myner's recommendations relating to the content of Statements of Investment Principles.

1.3 Financial Services and Markets Act

In accordance with the Financial Services and Markets Act 2000, the Trustees will set the general investment policy but will delegate the responsibility for selection of specific investments to an appointed Investment Manager. The Investment Manager shall provide the skill and expertise necessary to competently manage the investments of the Scheme.

1.4 Socially Responsible Investment Regulations & ESG

The Trustees do not impose social, environmental or ethical constraints on the Investment Manager or Fund Managers in relation to the selection, retention and realisation of investments.

The Trustees are seeking to maximise overall investment returns subject to an acceptable level of risk.

The Trustees would expect the Investment Manager to take account of social, environmental, ethical and governance considerations, and their impact on risk, when choosing investments on its behalf. However, the Trustees will not exclude investments purely based on these considerations.

The Investment Manager has created a set of ethical and socially responsible criteria on which they assess over 1200 companies in UK and Europe, using data updated regularly by EIRIS, the Ethical Investment Research Service. EIRIS has been in existence for more than 20 years and researches and classifies companies according to a wide range of criteria, based upon positive and negative ethical investor concerns. They use the results to populate an extensive database (Ethical Portfolio Manager). In the UK, they conduct their own company research; for companies overseas, they have research partners who provide it to them.

1.5 Voting Rights

The Trustees have delegated to the Investment Manager the responsibility for exercising rights (including voting rights) attaching to investments. The Trustees have reviewed and accepted the Investment Manager's policies in respect of exercising rights attaching to investments.

2.0 Division of Responsibilities

2.1 Trustee

The responsibilities of the Trustees are to:

Formulate this Statement and the investment policy.

Review (and modify if considered appropriate) the Statement on an annual basis or at any other times as may be necessary such as, for example, following the results of an actuarial valuation, review of investment policy or asset liability modelling exercise.

Consult with the Principal Employer whenever this Statement is reviewed.

Evaluate the performance and processes of the Investment Manager by means of regular (but not less than annual) reviews of the investment performance.

2.2 Scheme Actuary

The Scheme Actuary is responsible for providing strategic advice to enable the Trustees to review and update this Statement.

2.3 Investment Manager

The responsibilities of the Investment Manager are to:

Select suitable investments and maintain a portfolio in furtherance of the investment policy.

Monitor the investment portfolio's overall performance against an agreed target return.

Provide the Trustees with a six monthly report on the portfolio, including a valuation of all investments held by the Scheme, commentary on the overall and individual investments, a record of all transactions, a cash reconciliation, a review of recent actions undertaken on behalf of the Scheme together with a summary of the current investment policy and any changes to the processes applied to the portfolio.

Enter into a Discretionary Investment Service Agreement with the Trustees which complies with this Statement of Investment Principles, provides protections for the Scheme and Trustees and sets out the terms on which the portfolio is managed.

2.5 The Custodian

The responsibility of the Custodian is to hold for safekeeping the title documents of all those of the Scheme's investments not held in insurance policies.

2.6 The Principal Employer

The responsibility of the Principal Employer is to keep the Trustees informed in respect of both (i) its financial situation in order that the Trustees may assess the Sponsor Covenant and (ii) its attitude to risk as regards the investment policy.

2.7 The Administrator

Provides the Investment Manager, from time to time with cash flow projections so that funds are made available for the Administrator to pay Scheme benefits and expenses as they fall due.

3.0 Statutory Funding Requirement

3.1 Scheme Specific Funding Calculation

The Pensions Act 2004 introduced a scheme-specific standard for actuarial funding valuations. Central to the new funding regime is the Statutory Funding Objective which requires that the Scheme has appropriate and adequate assets to meet its Technical Provisions. As part of the actuarial valuation, the Trustees have prepared a Statement of Funding Principles which sets out the Trustees' policy (including details of the actuarial assumptions) for ensuring that the Statutory Funding Objective is met.

The Scheme Actuary will carry out calculations consistent with the principles set out in the Statement of Funding Principles to determine the adequacy of the assets compared to the Technical Provisions at each actuarial valuation and annually at each intervening period.

3.2 Complying with the Statutory Funding Objective

The Pensions Act 2004 requires pension schemes with assets less than their Technical Provisions to put in place a Recovery Plan to achieve full funding against the Technical Provisions as quickly as the employer can reasonably afford. In determining a Recovery Plan, the Trustees will take into account:

- The size of the funding shortfall
- The risk that the value of the Scheme's assets may deteriorate
- The strength of the covenant with the Principal Employer.

The Trustees consider that the current investment policy is consistent with the current financial position of the Scheme and the current strength of the Sponsor Covenant. In addition, the Trustees will review its investment policy in the light of subsequent actuarial valuations and updated Schedules of Contributions, and in light of any changes to the Covenant.

4.0 Investment Policy

This policy has been determined by reference to the objectives stated below and in consultation with the Principal Employer and following advice from the Investment Consultant and Scheme Actuary.

4.1 The Investment Objectives

To acquire assets which, together with contributions from the Principal Employer and remaining active members, are expected to generate income and capital growth to meet the cost of the current and future benefits which the Scheme provides.

To limit the risks of the assets failing to meet the liabilities over the long term, in particular, in relation to the Statutory Funding Objective.

Whilst having regard to the above objectives, to minimise volatility in the financial position of the Scheme relative to its liabilities and the risks identified at section 8.

4.2 The Policy

The Trustees have given careful consideration to the financial profile of the Scheme following the results of the latest actuarial valuation.

The Trustees have noted that the past service liabilities relate to pensioners and deferred pensioners. The Trustees have also noted that the Employer has made a substantial contribution to reduce the deficit.

The Trustees have therefore selected an investment policy in which the benchmark for asset classes held by the Scheme broadly reflects how the liabilities of the Scheme are valued and reduces the volatility arising from a material mismatch between asset and liability maturity periods. The policy also affords discretions to the Investment Manager in respect of asset class ranges so that marginal returns over the benchmark return (to compensate for investment risk) may be reasonably anticipated and provide expectations that the funding shortfall may be eliminated.

This policy is expressed and quantified in terms of a benchmark asset allocation, a target return and risk controls applied to the Investment Manager's activities in respect of both asset class ranges and volatility.

4.2.1 Benchmark

The Trustees have selected a benchmark of annualised return of 6.0% per annum, net of all investment fees and withholding tax, including the Investment Manager's expenses over all rolling three year periods. The benchmark is based on the weighted liabilities and the Scheme's pre and post retirement return assumptions. This calculation will be reviewed regularly, at least annually, to ensure it remains appropriate for the Scheme.

4.2.2 Risk Controls

As regards asset class ranges, the Investment Manager will be provided with the following indicative ranges for the proportionate holding in each asset class. In the event that the Investment Manager moves outside of the stipulated range on one or more asset class then they will report to the Trustees, providing reasons and if necessary, corrective actions.

Asset classes indicative ranges	Min	Strategic Weighting	Max
Fixed Interest	12.5%	20%	27.5%
Equity *	72.5%	80%	87.5%

* Equity includes alternative investment exposure which could include asset classes such as: Property, Structured Products, Infrastructure, Commodities, Private Equity and Absolute Return in order to diversify the investments and reduce the volatility of the portfolio.

The Trustees consider this policy provides a reasonable expectation of meeting the objectives set out above.

The benchmark will be reviewed every three years at the time of the actuarial valuation and at other times as required, for example, following a change to the Scheme liabilities, a material change to the risks or on advice from the Investment Consultant.

Asset categories not included here may only be used following a revision of these restrictions which specifically permits their inclusion and is agreed in writing between the Trustees and Investment Manager.

From time to time, there will be times when the holdings in cash will breach the above limits, as and when appropriate. The Investment Manager will inform the Trustees of the breach and outline the remedial course of action, if any.

5.0 Investment Manager Arrangements

5.1 Manager Structure

The Trustees have decided to appoint one active Investment Manager to manage the portfolio but subject to the risk controls detailed at 4.2.2 above.

5.2 Performance Objectives for Investment Manager

The Trustees have developed an objective for the Investment Manager consistent with the achievement of the Scheme's longer term objectives and an acceptable level of risk.

This is to achieve an overall return of 6.0% per annum over three year rolling periods.

5.3 Corporate Governance and Stewardship

The Trustees have chosen an Investment Manager that has a comprehensive Stewardship Policy with which they are comfortable. The Investment Managers policy covers many areas including Responsibilities, Monitoring, Engagement, Voting, Action, Reporting and Conflicts.

Full details of the Investment Managers policy can be found online at:
https://www.brewin.co.uk/group/corporate-responsibility/stewardship-policy

6.0 Investment Restrictions

The following restrictions are applied as a policy of the Trustees

6.1 Overall

(a) The Investment Manager may not invest in:

- property leased to the Principal Employer
- securities issued by the Investment Manager and its associates

(b) The Trustees and the Investment Manager may not directly borrow money

6.2 Manager Restrictions

The following restrictions have been agreed with the Investment Manager and can only be changed with the written consent of the Trustees.

- Subject to prior written consent investment is permitted in futures, options, currency forwards, interest rate swaps or derivatives.
- No more than 15% of the portfolio can be held in any one security or asset.
- No more than 25% of the portfolio may be invested in assets not readily realisable.
- There should be no gearing of the portfolio without prior written consent.
- The Investment Manager may not engage in stock lending.

6.3 Collective Fund Restrictions

Some of the Scheme's assets are invested in collective funds and the Trustees are not able to directly impose these restrictions on managers of those funds. In the event that the Investment Manager directly invests part of the portfolio in individual securities, it is the Trustees' intention to impose these restrictions on the manager.

7.0 Monitoring of Investment Manager

The Trustees will monitor the performance of the Investment Manager compared to a target return of 6.0% per annum over a rolling three year period. The appointment of the Investment Manager, who has been provided with a copy of the Statement, will be reviewed from time to time based upon the extent to which the Investment Manager gives effect to the policies within the Statement.

7.1 Investment Manager Selection Criteria

The Trustees have also identified the criteria by which the Investment Manager should be selected (retained or deselected). These include:

- past performance
- quality of the investment process
- level of fees
- reputation of the manager
- reporting
- administration
- the team employed
- the individual fund manager

7.2 Investment Manager De-Selection Criteria

In addition an Investment Manager may be de-selected if:

- they fail to meet the performance objectives set out in section 5.2

- the Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future

- the Trustees has any other reason to believe that it is no longer appropriate to employ the Investment Manager.

7.3 Investment Manager Incentives and Alignment with Trustee Interests

The Investment Manager uses a fee only charging structure to ensure alignment of interests with the Trustees. The only way the Investment Manager can generate revenue is through the fee which, as this is based on the value of the portfolio assets, incentivises the manager to try and make the portfolio increase in value over time.

A further alignment is that, as a lower portfolio value would result in lower management fee being earned, the Investment Manager is equally focused on doing all they can to try and minimise the downside risk to the portfolio within the mandate they have been given.

As there are no dealing commissions, there is no economic incentive for the Investment Manager to deal on the portfolio unless they believe this to be absolutely necessary therefore the Investment Manager is aligned in seeking to make medium to long term investment decisions and minimise risks at all times.

7.4 Costs and Duration

The Investment Manager provides the Trustees an annual charges summary each year in January detailing the complete running costs of the portfolio. This document includes management fee, VAT, stamp duty and other taxes plus third party fund costs and whilst it does not focus specifically on portfolio turnover, it provides the Trustees with full transparency over the portfolio running costs which is considered important.

Regarding duration of the agreement with the Investment Manager the agreement is open-ended and either party can serve notice to terminate the agreement at any point without penalty.

8.0 Risk Management

The Trustees have identified a number of risks involved in the investment of the assets of the Scheme and adopted procedures for monitoring and managing these risks as follows:

Investment Manager risk:

This is measured by the deviation of the return, as set out in the manager's target, relative to the investment policy.

It is managed by monitoring the actual deviation of returns relative to the manager's target.

Solvency risk and mismatching risk:

This is measured through an assessment of the expected development of the liabilities relative to the current and alternative investment policies.

It is managed by reference to actuarial valuations and assessing the actual growth of the liabilities relative to the selected investments.

Sponsor risk:

This is measured by the strength of the Company covenant and its willingness to support the continuation of the Scheme and to make good any current or future deficit.

It is managed by assessing the Company covenant from time to time and by direct discussions with the Company.

Liquidity risk:

This is measured by reference to the cash flow required by the Scheme over a specified period.

It is managed by the Administrator providing cash flow forecasts and by the Investment Manager assessing the level of cash required in order to pay Scheme benefits and Scheme expenses.

Custodian risk:

This is measured by assessing the credit-worthiness of the custodian and its ability to settle trades on time and provide secure safekeeping of the assets under custody.

It is managed by discussing the performance of the custodian with the Investment Manager when appropriate.

Political risk:

This is measured by the level of concentration of any one geographic market leading to the risk of an adverse influence on investment values arising from political intervention.

It is managed by regular reviews of the actual investments and of the levels of diversification within the policy.

Corporate Governance risk:

This is measured by the level of concentration in individual collective funds, leading to the risk of an adverse impact of investment values arising from any such fund failing or materially underperforming its target.

It is managed by regular reviews of stock concentration and regular discussions with the Investment Managers.

9.0 Definitions

Scheme Actuary	Isio – Wendy Fitzpatrick
Scheme Advisor	Origen Corporate Solutions
Administrator	Isio
Investment Manager	Brewin Dolphin Limited – Mark Hamstead
Principal Employer	Rittal CSM Ltd
Trustees	Alan Courts Dr Steve Hobbs (Director of Rittal CSM Ltd) Maggie McFarlane (Rittal CSM Ltd)

Agreement by the Parties

Signed by the Trustees of the RITTAL CSM Ltd Pension Scheme

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Signed on behalf of Principal Employer

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