

# The Häfele UK Limited Retirement and Death Benefits Plan – 13<sup>th</sup> Edition

## Statement of Investment Principles

**Barnett Waddingham LLP**

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# 1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Häfele UK Limited Retirement and Death Benefits Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
  - the Pensions Act 1995, as amended by the Pensions Act 2004;
  - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
  - the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted Häfele U.K. Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 15 of Schedule 2 of the Definitive Trust Deed and Rules, dated 11 October 2019. This statement is consistent with those powers.

# 2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional adviser, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Plan's assets is delegated to one investment manager. The Plan's investment manager is detailed in Appendix 1 to this Statement. The investment manager is authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment manager with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

### 3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
- to ensure that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due;
  - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels and funding level.
- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and both the level of funding of the Plan's liabilities and the Employer Covenant. The Trustees have obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

### 4. Kinds of investments to be held

- 4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property, and alternatives.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio.

### 5. The balance between different kinds of investments

- 5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.
- 5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

## 6. Risks

- 6.1. The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and have considered ways of managing/monitoring these risks:

<b>Risk versus the liabilities</b>	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
<b>Covenant risk</b>	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
<b>Solvency and mismatching</b>	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
<b>Asset allocation risk</b>	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
<b>Investment manager risk</b>	The Trustees monitor the performance of the Plan's investment manager on a regular basis in addition to having meetings the manager from time to time as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how the investment manager may operate.
<b>Governance Risk</b>	The asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees will report on the managers practices in their annual Implementation Statement.
<b>ESG/Climate Risk</b>	The Trustees have considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
<b>Concentration risk</b>	The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
<b>Liquidity risk</b>	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

<b>Currency risk</b>	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
<b>Loss of investment</b>	The risk of loss of investment by the investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

## 7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment manager.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of the investment manager against an agreed benchmark as frequently as appropriate, according to market conditions and the Plan's funding position. The Trustees meet the Plan's investment manager as frequently as is appropriate in order to review performance.

## 8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment manager. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

## 9. Financially material considerations, the exercise of rights and engagement activities, and non-financial matters

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

## 10. Policy on arrangements with asset managers

Aligning the investment strategy and decisions of the asset manager with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to be engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies

- 10.9. The Trustees monitor the performance of their asset managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. Details of the fee structures for the Plan's asset managers are contained in the Trustees' Investment Manager Arrangement Summary document.
- 10.11. The Plan invests exclusively in pooled funds. In all cases, the asset manager's remuneration is linked to the value of the assets they manage on behalf of the Plan. Therefore, as the assets grow in value, due to successful investment by the asset manager, the manager receives more in fees and as values fall they

receive less. The Trustees believe that this fee structure incentivises the manager to invest in a way that benefits the Plan; in particular, it enables the asset manager to focus on long-term performance.

- 10.12. The Trustees ask the Plan's Investment Consultant to assess whether the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered from time to time.

#### How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. However, equally the Trustees believe that active managers can add value through turnover of investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14. When underperformance is identified, the level of turnover may be investigated with the asset manager concerned if it is felt this may have been a significant contributor to the underperformance. In these cases, the Trustees define the target turnover with respect to the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

#### The duration of the arrangement with the asset manager

- 10.15. All of the Plan's investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment.
- 10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed periodically as appropriate. As part of this review the ongoing appropriateness of the asset managers, and the specific funds used, is assessed.

## 11. Agreement

- 11.1. This statement was agreed by the Trustees, following consultation with the Employer, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the actuary and the Plan's auditor upon request.

**Signed:**.....

**Date:**.....

**On behalf of the Häfele UK Limited Retirement and Death Benefits Plan**



# Appendix 1      Note on investment policy of the Plan as at July 2025 in relation to the current Statement of Investment Principles

## 1. The balance between different kinds of investment

The Plan set an initial asset allocation as set out in the table below, which has been agreed after considering the Plan’s liability profile and funding position, the Employer Covenant, the expected return of the various asset classes and the need for diversification.

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The assets are expected to change in a similar way to the liabilities and so the assets should not need to be regularly rebalanced towards a target allocation.

Asset class	Fund Name	Initial Allocation (%)
Buy & Maintain Credit	L&G Maturing Buy & Maintain Credit Fund 2040-2054	40
Gilts	L&G Unleveraged Gilts & Index-Linked Gilts	60

### Choosing investments

The Trustees have appointed Legal & General Investment Management to provide the investment platform for the Plan’s portfolio.

The Trustees have appointed the following investment manager to carry out the day-to-day investment of the Plan:

- Legal & General Investment Management (L&G)

Investment manager	Fund	Benchmark	Objective
L&G	Maturing Buy & Maintain Credit Fund 2040-2054	No Benchmark	The fund aims to provide investors with credit risk exposure through investing principally in a globally diversified portfolio of non-government bonds and avoiding investment in bonds which in the opinion of the Investment Manager are likely to default or experience a significant deterioration in credit quality.
	Gilt Portfolio	Relevant underlying gilt	To track the performance of their respective benchmarks.
	Sterling Liquidity Fund	SONIA	Provide diversified exposure and a competitive return in relation to SONIA

*Note: SONIA – Sterling Overnight Indexed Average, is an overnight rate, set in arrears and based on actual transactions in overnight indexed swaps for unsecured transactions in the Sterling market.*

The performance of the investment manager will be monitored as frequently as the Trustees consider appropriate in light of prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

## 2. Fee agreements

The fee arrangements with the investment manager is summarised in the Trustees' Investment Manager Arrangement Summary document.

## 3. Investments and disinvestments

The Trustees have decided to make future investments into the L&G Sterling Liquidity Fund. This fund invests in cash-like financial instruments, is highly liquid and offers a yield above what would be achieved within the Trustee Bank Account. This policy is also consistent with the investment strategy, in that it avoids adjusting the liability hedging levels away from the current target.

Any required disinvestments will be sourced from the L&G Sterling Liquidity Fund in the first instance. If there are no longer sufficient assets within this fund, the Plan will disinvest from the shortest duration assets in order to minimise the impact on the liability hedging arrangements. It is expected this will be either a short-dated gilt fund, or the Maturing Buy & Maintain Credit Fund.

## Appendix 2 Note on financially material considerations, the exercise of rights and engagement activities, and non-financial matters

### 1. Policy on financially material considerations

After receiving training from their investment advisor, Barnett Waddingham, the Trustees believe that environmental, social and governance (“ESG”) factors as well as climate risk are financially material. The Trustees therefore have a policy to consider these, alongside other key factors, taking into consideration the nature of the underlying investment when selecting or reviewing the Plan’s investments in order to avoid unexpected losses.

The Trustees appreciate that the method of incorporating ESG factors into the investment strategy and process will differ between asset classes. A summary of the Trustees’ views for each asset class in which the Plan invests is outlined below.

#### Corporate Bonds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan’s bond fund holding over the Trustees’ intended time horizon for the investment in question. The Trustees therefore require the fund manager to consider ESG issues when selecting investments. The Trustees recognise that fixed income assets do not typically provide voting rights; they support engagement with companies by the fund manager. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

#### Passive Gilts

The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Plan’s gilt holdings, given their sole purpose is to provide a hedge against the Plan’s exposure to movements in interest rates and inflation.

#### General points

The Trustees are comfortable that the funds currently invested in by the Plan are managed in accordance with their views on financially material factors, as set out above. As part of this policy, the Trustees periodically review the investment managers’ approaches to ESG and how these have been factored into investment decisions. The Trustees will be reliant on the information presented by the investment manager and their investment advisor regarding the extent to which an investment manager allows for ESG in making their investment decisions. As the Plan’s investments are held in pooled funds, ESG considerations are set by the investment manager, who will ultimately act in the best interests of the Plan to maximise returns for a given level of risk. The Trustees do not currently impose any specific restrictions on the investment manager with regard to ESG issues, but will review the position from time to time.

### 2. Policy on the exercise of rights and engagement activities

The Trustees’ policy on undertaking engagement activities in respect of the investments is that these should be done by the investment manager on the Trustees’ behalf. In doing so, the Trustees expect that the investment manager will use their influence as major institutional investors, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment manager about relevant matters (including matters concerning an issuer of debt, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustees also consider it to be part of their investment managers roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect the investment manager to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

### 3. Policy on non-financial matters

The Trustees do not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing fund managers.