

VF Corporation UK Pension Plan

Statement of Investment Principles

1. Introduction

This Statement of Investment Principles (SIP) has been prepared by the Trustees of the VF Corporation UK Pension Plan (the "Plan") to comply with the requirements of the Pensions Acts 1995, as amended, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK.

The Trustees have consulted with the Company on the content of this document. The Trustees are responsible for the investment strategy of the Plan. They have obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited who are authorised and regulated by the Financial Conduct Authority.

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

Effective Date

This SIP is effective from 31st January 2022

2. Division of Responsibilities

The Trustees have ultimate responsibility for decision making on investment matters. The Trustees take some decisions themselves and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees responsibilities include:

- Set structures and processes to enable the Trustees to carry out its role.
- Negotiate with the Company and make decisions about Plan funding and contributions.
- Set the Plan's investment strategy, specifically the overall risk and return objectives, taking appropriate advice from the Plan's Scheme Actuary, Investment Adviser and other advisers.
- Consult with the Company on investment strategy.
- Appoint investment, financial and other advisers as required.
- Monitor compliance with this statement.
- Maintain a range of funds suitable for members' AVCs.

In order to ensure that such decisions are taken effectively, the Trustees also use other bodies either through direct delegation or in an advisory capacity. These groups include:

- Investment Managers and Custodian.
- External Advisers such as the Scheme Actuary and Investment Adviser.

Each group has a range of responsibilities which have been agreed by the Trustees.

3. Objectives and Long Term Strategy

Investment Objectives

The primary long-term objective of the Trustees can be summarised as follows:

- An overall objective to invest the Plan's assets in such a way that the expected income and capital growth, together with any new contributions from the Company, are expected to help meet benefits as set out in the Trust Deed and Rules.
- To limit the risk of the assets failing to meet the liabilities over the long term.
- To minimise the long-term costs of the Plan by maximising the return on the assets, subject to managing risk appropriately, as explained above.

The Trustees believe that the Plan's assets can be invested in such a way as to target a return above that assumed by the Scheme Actuary in the Plan valuation in order to support the Plan and improve the funding position.

The Trustees' policy is to seek to achieve the objective through investing in a suitable combination of Growth and Liability Hedging assets, as explained below.

Strategy

Asset allocation is considered regularly by the Trustees and reviewed following each actuarial valuation.

The Plan's assets are broadly divided into a Liability Hedging Section (low risk vs. the Plan's liabilities) and a Growth Section (higher risk versus the Plan's liabilities to generate extra returns). The day to day management of the Plan's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority.

In order to reduce the volatility of the funding position and achieve a better match with the Plan's liabilities, the Liability Hedging Section has been implemented to partially mitigate interest rate and inflation risk.

The current asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position, the liability profile and the Trustees' assessment of the Company's covenant. When choosing the Plan's asset allocation strategy the Trustees considered written advice from their investment and financial advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.
- The strength of the Company's covenant.

The Trustees also consulted with the Company when setting this strategy.

AVCs

The Trustees also offer members the facility to invest additional voluntary contributions ('AVCs') into a range of funds, selected by the Trustees (with advice from their investment adviser as and when required) so that members can choose suitable funds depending on their personal circumstances (such as attitude to risk and term to retirement). The Trustees, from time to time, review the range of AVC funds made available from members.

Members are offered the following range of funds, managed by Standard Life and Clerical Medical in which to invest their AVC payments:

- Standard Life – With Profits Fund
 - Standard Life – Millennium With Profits Fund
 - Standard Life – Managed Pension Fund
 - Clerical Medical – With Profits
 - Clerical Medical – Unit Linked
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4. Risk Management

Risks

The Trustees recognise that the key risk for the Plan is that the Plan has insufficient assets to meet benefit payments as they fall due. The Trustees have identified a number of risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to the key risk that there are insufficient assets to pay benefit payments as they are due. These risks and the Trustee's policy in terms of managing these risks are set out below:

Risk	Trustees' Policy
Funding risk - Insufficient assets to cover accrued liabilities.	Managed by careful structuring of the funding and investment arrangements, along with regular monitoring.
Mismatching risk - A difference in the sensitivity of asset and liability values to financial and demographic factors.	This is considered when setting the investment strategy and managed through regular reviews of the investment strategy.
Covenant risk - The possibility of failure of the Plan's Company.	The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the Company as to the suitability of the proposed strategy.
Cash flow risk - The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities.	The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
Manager risk - The failure by the fund manager to achieve the targeted rate of investment returns.	This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter through regular monitoring.
Operational risk - The risk of fraud, poor advice or acts of negligence.	The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
Other price risk, including the risk of lack of diversification - the failure to spread investment risk.	All investments are subject to individual price risks that arise from factors peculiar to that asset class or individual investment in addition to credit risk, currency risk and interest rate risk. The Trustees and their advisers considered this risk when setting the Plan's investment strategy.
Credit risk - The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.	The main source of credit risk within the portfolio is due to the investment in bonds and instruments that are used to manage the interest rate and inflation exposure of the Plan. The Plan also has credit exposure arising from the cash funds it uses and any stock lending programs undertaken by its equity managers. The objective of taking on credit exposure within the bond and cash funds is to obtain a higher expected return than would be obtained from investing solely in government bonds or secured overnight borrowing. The Plan accepts the credit risk associated with managing its interest rate and inflation exposure as this is unavoidable if it is to manage these exposures effectively. Direct credit risk also exists through the investment in pooled investment vehicles. These are mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification across a number of pooled arrangements.
Currency risk - The risk that the fair value or future cash flows of a financial instrument will fluctuate	The Plan is exposed to currency risk due to the investment in overseas assets. Investment in overseas assets is designed to increase the number of securities that can be considered for

because of changes in foreign exchange rates.	<p>inclusion in the portfolio and thereby improve the risk/reward and diversification characteristics of a particular investment.</p> <p>Whilst this does introduce currency risk the active management of the assets makes it impractical from a cost-benefit perspective to hedge this risk effectively. The Trustees are satisfied that the expected benefits from allowing the Plan to invest in overseas assets compensate for the acceptance of the associated currency risk. Currency risk is only accepted in so far as it is needed to facilitate the investment in overseas assets.</p>
Interest rate risk - The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	<p>Changes in market interest rates will directly affect the fair value of the holdings in bonds and instruments used to help manage the interest rate and inflation exposures of the Plan. The Plan's liabilities are often directly linked to inflation and the risk is that the assets do not also have this sensitivity.</p>
Inflation risk - The risk that the fair value or future cash flows from an investment will fluctuate due to changes in realised or expected inflation.	<p>The objective of holding these instruments is to help the Plan be better matched to the interest rate and inflation exposures of the payments that it needs to make to the beneficiaries.</p> <p>This is managed by formal review of the sensitivity between the assets and liabilities. This takes place after each valuation, or if there are any significant changes to the profile of the liabilities, or major changes in investment markets.</p>
Longevity risk - Related to the increasing life expectancy of pensioners and policy holders. This can result in higher than expected payout.	<p>The Trustees manage this risk through targeting an investment return above that required by the Plan's Scheme Actuary.</p>
<p>Environmental, Social and Governance risk</p> <p>-The risk of the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.</p> <p>-The risk of the extent to which climate changes causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.</p>	<p>This is considered by the Trustees, which closely monitors the performance of managers and requires them to address ESG aspects on their behalf.</p>

The purpose of accepting these risks is to ensure that, when considered as a whole, the assets of the Plan have a suitably diversified portfolio in terms of the type of risk taken and the sources of expected future returns. These risks are managed by ensuring that the portfolio is well diversified both across asset classes and within each individual asset class. In addition the Trustees take advice from their investment adviser as to the continuing suitability of the asset classes and managers in which they invest.

The Trustees' policy is to monitor, where possible, the above risks regularly. The Trustees receive a number of reports showing:

- Plan total return versus the liability benchmark return with the contribution to absolute return over the quarterly period.
- Analysis of risk in the Plan's assets including interest rate and inflation hedging.
- Current asset allocation and performance of asset classes over various time periods.
- An update on the Plan's flightplan and approximate funding level in light of the Plan's flightplan and funding level triggers.

5. Implementation

Choosing investments

The Trustees retain responsibility for setting the planned asset allocation strategy and take expert advice from their professional advisers, as required, when choosing investments.

The Trustees have appointed Aon Investments Limited ("AIL"), formerly Hewitt Risk Management Services Limited ("HRMSL") to manage the entirety of the Plan's assets (i.e. a fiduciary management solution). This has been done to further aid the diversification of the Plan's assets and to reduce the investment risk relative to the Plan's liabilities. The investment return objective is for the AIL portfolio to return 1.6% per annum above the return on the liability benchmark (broadly speaking, the liability benchmark is the present value of the Plan's estimated future cashflows, discounted using a gilt curve).

AIL has discretion with respect to the investment managers they choose on behalf of the Plan and in considerations relating to the liquidity of those investments. Additional realisations may be required to ensure that the Plan's benefit payments and other expenditure can be met.

The Trustees, and investment managers (to the extent delegated), will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005, when selecting investments on behalf of the Plan. The Trustees expect the investment managers to give effect to the principles in this statement as far as is reasonably practical.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Plan, its cashflow requirements, the funding level of the Plan and the Trustees' objectives. The Trustees will monitor the continuing tenure of the Investment Manager (AIL), based on advice from the external adviser and their judgement.

Arrangements with asset managers

The Trustees have appointed AIL as their fiduciary manager, who they consider to be their asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which AIL in turn appoints to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustees receive regular reports and verbal updates from the fiduciary manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives, and assess the fiduciary manager over 3-year and 5-year (per annum) periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their fiduciary manager, which supports the Trustees in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Plan's fiduciary manager and request that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying investment managers to the fiduciary manager. The fiduciary manager monitors the Plan's investments to consider the extent to which the investment strategy

and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

This includes monitoring the extent to which the underlying asset managers:

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

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the fiduciary manager, and regular monitoring of the fiduciary manager's performance and investment strategy, is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the fiduciary manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically engage with the fiduciary manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Managers remuneration and turnover costs

Cost Monitoring:

The Trustees are aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their fiduciary manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Plan;
- The fees paid to the fiduciary manager;
- The fees paid to the underlying asset managers appointed by the fiduciary manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the asset managers appointed by the fiduciary manager;
 - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within

the funds of the underlying asset managers appointed by the fiduciary manager;

- Any charges incurred through the use of pooled funds (custody, administration, audit fees etc)
- The impact of costs on the investment return achieved by the Plan.

The Trustees acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and asset managers. The fiduciary manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying asset managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the fiduciary manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed underlying asset managers;
- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying asset managers and achieve efficiencies where possible;

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of its fiduciary manager on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the fiduciary manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

6. General

Direct Investments

Assets directly held by the Trustees, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate. Written advice will be obtained from the Investment Adviser when reviewing, buying or selling direct investments.

The Trustees will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005 when selecting direct investments.

Environmental, social and governance considerations

In setting the Plan's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.

The Trustees annually review the stewardship activity of the fiduciary manager to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by their fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers.

As part of the fiduciary manager's management of the Plan's assets, the Trustees expect the manager to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustees' voting rights in relation to the Plan's assets; and
- Report to the Trustees on stewardship activity by underlying asset managers as required.

The Trustees will engage with their fiduciary manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained. Where voting is concerned we would expect our underlying asset managers, to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees recognise that their collaborative behaviours can further work to mitigate the risks for the Plan that we have identified above.

The Trustees may engage with their fiduciary manager, who in turn is able

to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"¹).

Policy on Rights Attaching to Investments

As the majority of the Plan's assets are invested in pooled funds, the Trustees do not have direct control of the specific policy used by the funds in relation to the exercise of the rights (including voting rights).

Governance

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

The Trustees of the Plan are responsible for the investment of the Plan assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The AIL custody account is managed by BNY Mellon. For each of the underlying pooled fund investments, the fund manager is responsible for the appointment and monitoring of the custodian of the fund's assets.

Investment Adviser

Aon Solutions UK Limited has been appointed as Investment Adviser. It has the knowledge and experience required under the Pensions Act 1995. The Investment Adviser is responsible for advice on all aspects of the investment of the Plan's assets, advice on this statement and provides the required training for the Trustees. Aon Solutions UK Limited is paid based on agreed fees for projects.

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Review of SIP

In drawing up this document, the Plan Trustees have sought advice from the Plan's Investment Adviser, Aon Solutions UK Limited, and the Scheme Actuary, and has consulted with the Investment Managers.

This SIP will be reviewed typically annually or immediately following a change of investment policy. Written advice on any changes will be taken from the Investment Adviser and the Company will also be consulted.

Appendix A

The overall investment objective is to achieve a return of 1.6% per annum above the return on the liability benchmark (broadly speaking, the liability benchmark is the present value of the Plan's estimated future cashflows, discounted using a gilt curve).

The Trustees have appointed Aon Investments Limited ("AIL") to manage the entirety of the Plan's assets. AIL is paid a fee which is dependent on the value of the Plan's assets.

The Plan's assets are broadly divided into a Growth Section (higher risk versus the Plan's liabilities to generate extra returns) and a Liability Hedging Section (low risk vs. the Plan's liabilities).

The Liability Hedging assets aim to hedge 100% of the Plan's assets interest rate and inflation exposure. The Growth assets are expected to help achieve the overall investment objective by investing in assets that come with higher risk but are expected to offer the potential for higher returns. The Growth Section has the flexibility of investing in a variety of asset classes in order to try and achieve the investment objective. This includes but is not limited to investing in equities, return-seeking bonds, hedge funds, property and emerging market assets. The manager has flexibility over which asset classes to use (and how much to allocate to each of these) in the Growth Section.

Flightplan

The aim of a formal flightplan system for the Plan is to create a more structured method of implementing the long-term move from "Growth" to "Liability Hedging" assets and target a level close to "self-sufficiency".

This strategy was designed following a number of discussions between the Trustees and their advisers.

The flightplan serves to de-risk the Plan as the funded position improves. It is monitored by AIL and any changes required as a result of triggers being hit will be implemented by AIL.