W L Gore & Associates (UK) Limited Retirement Benefits Scheme Statement of Investment Principles – January 2024

1. Introduction

The Trustees from time to time of the W L Gore & Associates (UK) Limited Retirement Benefits Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with W L Gore & Associates (UK) Limited (the "Sponsoring Company") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular, on the Trustees' objectives.

2. Process For Choosing Investments

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE") as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis..

The Trustees regularly monitor the funding level and will review the investment strategy if the funding level significantly deteriorates.

3. Investment Policy and Risk

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their investment consultant, and is driven by their investment objectives as set out below. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers and described in the Investment Implementation Policy Document ("IIPD"). The format of this Statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustees believe, however, that it incorporates a response to all the requirements of the Act.

4. Investment Objectives

The Trustees understand that taking some investment risk, with the support of the Sponsoring Company, is necessary to improve the Scheme's funding level. The Trustees recognise that equity (and other growth asset) investment will bring an increase in the volatility of the funding level (relative to the position where the assets are purely invested in matching assets), but in the expectation of improvements in the Scheme's funding level through growth asset outperformance of the liabilities over the long term.

The Trustees' primary objective is to make sure the Scheme can meet its obligations to the beneficiaries of the Scheme. The long term objective of the Trustees is to achieve 100% funded on a self-sufficiency basis,that is with a low risk investment policy and with reduced reliance on funding from the Sponsoring Company.

The Trustees recognise that this ultimately means investing in a portfolio of bonds and other liability driven investments but believe that at the current time some equity and growth asset investment is justified to target enhanced return expectations and thereby target funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

Further detail on the funding basis and timeframes are given in Section 6. The Trustees will monitor progress against this target. The Trustees believe that the investment strategy adopted for achieving this objective will also be appropriate for achieving the objective of reducing the risk of deficit contributions being required over the longer term. However, the Trustees recognise that investment in return seeking assets could potentially lead to deficit contributions being required over shorter time periods.

The Trustees have also considered the need for liquidity within the investment arrangements to pay pensions as they fall due.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in section 11.

5. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more volatility in the Scheme's funding position.

- The Trustees have delegated asset allocation to Mercer. The asset allocation has initially been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 4. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk. Mercer provides the Trustees with regular reports regarding the Scheme's asset allocation.

- The Trustees recognise that even if the Scheme's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. To help the Trustees ensure the continuing suitability of the current investments, the Trustees delegate responsibility for the hiring, firing and ongoing monitoring of the Scheme's investment managers to Mercer. Mercer provides the Trustees with regular reports regarding the appointed investment managers to monitor consistency between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes, the Trustees believe that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in markets deemed efficient where the scope for added value is limited.

- To help diversify manager specific risk, the Trustees expect Mercer to make multiple manager appointments within each asset class. The selection and appointment of managers is delegated to Mercer by the Trustees.

- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustees will ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustees recognise the risks inherent in holding less liquid assets. The Trustees have carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 11 sets out how these risks are managed.

- Responsibility for the safe custody of the Scheme's assets is delegated to Mercer who has appointed State Street Bank and Trust Company ("State Street") as custodian of the assets invested in their pooled vehicles. Mercer is responsible for keeping the suitability of State Street under ongoing review.

Should there be a material change in the Scheme's circumstances, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular, whether the current de-risking strategy remains appropriate.

In addition, the investment strategy will be reviewed approximately annually.

6. Investment Strategy

The Trustees, with advice from the Scheme's Investment Consultant and Scheme Actuary and in conjunction with the Company, reviewed the Scheme's investment strategy in 2013/2014, and approximately annually thereafter. The initial review considered the Trustees' investment objectives, their ability and willingness to take risk (the risk budget) and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long term solution to 'de-risk' the Scheme's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustees decided to engage DDS to implement their de-risking strategy. DDS relates the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of appropriate gilt yields).

An in-depth review was completed in 2018 following the closure of the Scheme to future accrual and the break of the salary link. Following the results of this review, the Trustees agreed to de-risk the Scheme's investment strategy immediately by reducing the growth asset weighting, and continue to de-risk in the future as and when opportunities arise. It was also agreed to strengthen the long term de-risking basis.

The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target full funding on a "gilts +0.25%" basis;
- To reduce the volatility in the funding level by reducing un-hedged liability exposures;
- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking triggers which form the basis of the Scheme's dynamic investment strategy are set out in a separate document – the Investment Implementation Policy Document.

For the avoidance of doubt, once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The Trustees have delegated the allocation of assets within the growth and matching portfolios to Mercer.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity is delegated to Mercer. Mercer reports quarterly to the Trustees on its rebalancing activities.

7. Other assets

In addition to the assets managed by Mercer, the Scheme also holds some historical AVC arrangements.

8. Realisation of Investments

The Trustees on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

9. Cash flow and cash flow management

Cash flows, whether positive or negative, are used to move the Scheme's asset allocation and allocation to the individual underlying investment managers back towards the strategic allocation appropriate at that point in time given the level of de-risking that may have occurred.

10. Rebalancing

Rebalancing ranges have been set within the growth and matching portfolios to ensure the Scheme's assets remain invested in a manner which is consistent with the Guidelines agreed by the Sponsoring Company. The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced growth portfolio weight, under the new de-risking band, as defined in the Investment Implementation Policy Document.

11. ESG, Stewardship and Climate Change

The Trustees believe that environmental, social and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issue, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have considered the beliefs of the Sponsoring Company in relation to ESG and have reflected these where possible when producing their policy.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's and MGIE's investment process and those of the underlying asset managers in the monitoring process. Mercer and MGIE are expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and other asset classes where relevant and/or climate scenario analysis for diversified portfolios. The Trustees will discuss the key findings from the Stewardship Reports at Trustee meetings where applicable.

The Trustees have also considered the Sponsor's responsible investment policy, and note the alignment with Mercer's commitment to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

The Trustees recognise the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Member views

Member views are currently not taken into account in the selection, retention and realisation of investments. However, the Trustees believe that the delegation of portfolio construction to Mercer will lead to ESG considerations that are in the best interests of the Scheme as a whole.

12. **Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs**

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 6, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 6. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager’s benchmark (over the relevant time period) on a net of fees basis. The Trustees’ focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer’s and MGIE’s assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager’s responsible investment philosophy aligns with the Trustees’ own responsible investment policy. This includes the asset managers’ policies on voting and engagement.

Section 11 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund’s investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE’s expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 6. Mercer’s, and MGIE’s, fees are based on a percentage of the value of the Scheme’s assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer’s, MGIE’s, and the third party asset managers’, fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund’s Supplements, the Report & Accounts and within the Scheme’s annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme’s Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

13. Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone whom the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Signed on behalf of the Trustees from time to time of the W L Gore & Associates (UK) Limited Retirement Benefits Scheme