

RAYOVAC EUROPE LIMITED RETIREMENT BENEFITS SCHEME STATEMENT OF INVESTMENT PRINCIPLES

NOVEMBER 2023

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1 INTRODUCTION

This Statement of Investment Principles (the “Statement”) has been prepared by the Trustees of the Rayovac Europe Limited Retirement Benefits Scheme (the “Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited (“Mercer”) whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' key investment objective for the Scheme's investment strategy is to reduce risk ahead of any decision to undertake a buy-in (ahead of a full buy-out) of the Scheme's liabilities with an insurance company.

Furthermore, the Trustees seek to ensure that the assets are liquid enough to meet the liabilities as and when they fall due.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the requirements of the Scheme's funding actuarial valuation.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with both the investment adviser and the Sponsoring Employer
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and Scheme Actuary
- The appointment and review of the investment adviser
- The assessment and review of the performance of the investment manager
- The choice of appropriate pooled funds
- The assessment of the risks assumed by the Scheme at total Scheme level
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Advising the Trustees in relation to funds and investment manager(s) that are suitable to meet the Trustees' objectives
- Monitoring the investment manager(s) to ensure its continuing appropriateness to the mandates given
- Monitoring the investment platform provider to ensure its continuing appropriateness for the Scheme
- Setting cashflow management (investment and disinvestment) and rebalancing policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment manager against its benchmarks. Mercer will provide performance monitoring reports to aid the Trustees in this process.

Mercer makes a fund based charge for the services it provides as set out in its investment agreement with the Trustees.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice, and as noted below, any discounts negotiated by Mercer with the underlying manager(s) are passed on in full to the Scheme.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENT WITH INVESTMENT MANAGERS

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, after considering appropriate investment advice, have invested the Scheme's assets through a Trustee Investment Policy ("TIP") from Mobius Life Limited ("Mobius"), whose appointment foregoes the need for a custodian.

The Mobius TIP facilitates investment into a range of underlying funds managed by third party investment managers and the value of the Mobius TIP is directly linked to the change in value in the underlying funds. All of the underlying investment managers used by the Scheme are authorised and regulated by the FCA. Mobius is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA.

The underlying investment manager used by the Trustees through the Mobius platform are chosen based on advice from the investment advisor. This is based on the investment advisor's view of their capabilities and, therefore, its perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees currently invest in pooled investment vehicles through the Mobius platform. The Trustees therefore accept that they cannot specify the risk profile and return targets of the manager, but the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The underlying investment manager the funds are invested in is responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

Both Mobius and the underlying investment manager are remunerated by ad-valorem charges based on the value of the assets that they manage on behalf of the Scheme. In addition to this, Mobius charges a policy administration fee. Where possible, discounts have been negotiated by Mercer and Mobius with the underlying manager on its standard charges and the Scheme benefits directly from these discounts.

The underlying manager in which the Scheme's assets are invested with does not have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating the investment manager is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt. By encouraging a medium to long-term view, it will in turn encourage the investment manager to engage with issuers of debt in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics.

The Trustees are therefore satisfied that this is the most appropriate basis for remunerating the underlying investment manager and is consistent with the Trustees' policies as set out in this Statement.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the administrators, so far as they relate to the Scheme's investments, is set out in Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their investment adviser.

The basis of the Trustees' strategy is to invest the Scheme's assets in a "low-risk" manner across "matching" funds comprising of assets such as bonds and gilts.

The Trustees have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a cashflow policy. This approach is set out in the Investment Cashflow Policy document.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the strategic asset allocation and the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment manager of the funds in which the Scheme is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes.

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

The Trustees note that the actuarial value of the Scheme's future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations. The Trustees have decided to invest in fixed interest gilt, index-linked gilt, and corporate bond funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Scheme's funding position. This is referred to as liability hedging.

4.4 FINANCIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Scheme's assets are invested in pooled funds, and therefore the Trustees accept the fact that they would have very limited ability to influence the ESG policies and practices of the companies in which its manager invest. Furthermore, given the Trustees' key objective is to reduce risk, the majority of the Scheme's assets are invested in pooled funds solely containing fixed interest and index linked gilts issued by the UK Government, and ESG considerations do not readily apply to these investments.

The Trustees note that the responsible investment policies of its manager are available online at:

[Responsible Investing | LGIM Institutional](#)

The Trustee receives ESG scores provided by the investment adviser in relation to the funds in which the Scheme invests and will monitor how these develop over time.

Taking the above into consideration, the Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

The Trustees have reviewed the ESG policies of their manager and concluded that they are appropriate. The Trustees will therefore rely on the policies and judgement of their investment manager when assessing the impact on the value of the Scheme's investments.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not taken into consideration in the current investment strategy.

4.6 STEWARDSHIP

The Scheme is invested solely in pooled investment funds through the Mobius TIP and the Trustees therefore have no direct voting rights.

The Trustees' policy is therefore to invest with investment manager where responsible investment is embedded appropriately in their approach to investment; including monitoring and engaging with investee companies, and exercising voting rights appropriately.

Mercer's quarterly reporting to the Trustees includes Mercer's ESG score for the funds in which the Scheme is invested. The ESG score incorporates an assessment of engagement and voting as part of the process.

Receipt of this score on a quarterly basis enables the Trustees to monitor that these scores remain appropriate in the context of the investment mandates.

Taking all the above into consideration, the Trustees are satisfied that stewardship and responsible investment is embedded appropriately in the investment manager's approaches to investing. If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

If a new investment manager is selected, the Trustees would consider Mercer's ESG score for the new manager as part of their decision making process.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process, and by appointing Mercer to monitor and replace any manager where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment manager's policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the manager, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The Trustees acknowledge that the Scheme's investments are now all denominated in Sterling.

Interest Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the underlying investment manager. The Trustees will however ensure that they are comfortable with the amount of interest rate risk that the Scheme's investment manager takes.

Other Price Risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustees acknowledge that the Scheme does not hold a return seeking asset.

ESG Risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustees manage this risk by investing in investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustees are aware that responsible investing is one of the core beliefs of the investment manager and the investment adviser. As a result, part of the rating process of the investment adviser and decision making process of the investment manager in relation to the underlying investment manager is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISER & MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way and undertake a formal review annually. In doing so, the Trustees consider the objectives they set for the investment adviser, which they review on an ongoing basis and at least every three years.

6.2 INVESTMENT MANAGER

The Trustees receive monitoring reports on the performance of the underlying investment manager from Mercer, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying manager's performance.

The reporting reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark.

In conjunction with advice and information from their investment adviser, the Trustees have the role of replacing underlying investment manager where appropriate. It takes a long-term view when assessing whether to replace underlying investment manager, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will be made to the underlying manager if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme invests, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, the Trustees do not have an overall portfolio turnover target for the Scheme and are satisfied that this is an appropriate approach.

7 CODE OF BEST PRACTICE

The Trustees note that in March 2017, The Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

8 COMPLIANCE

This Statement is available to members online.

A copy of this Statement plus, appendices, is also supplied to the Sponsoring Employer, the Scheme Auditor and the Scheme Actuary.

This Statement taken as a whole with the appendices, supersedes all others.

Approved by the Trustees on 16 November 2023

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme’s strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation (%)	Guideline Range (%)
Matching Assets		
Fixed Interest Gilts	45	+/- 7.5
Index-Linked Gilts	40	+/- 5.0
Corporate Bonds	15	+/- 2.5
Total Scheme	100	

Cash may be held on a short term basis from time to time.

Appendix 3 provides information about the mandates for the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Scheme in order to minimise transaction costs.

Rebalancing Policy

There will be no automatic rebalancing of the portfolio.

The actual allocation relative to the strategic allocation will be reviewed on an ongoing basis and realigned if deemed necessary.

Cashflow Policy

Please refer to the Investment Cashflow Policy Document for full details and procedures.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme invests with a Legal and General Investment Management (“LGIM”) for each of the mandates within the Trustees’ agreed investment strategy as set out in Appendix 1.

The tables below show the details of the mandate(s) with each manager:

MANAGER / FUND	BENCHMARK	OBJECTIVE	DEALING FREQUENCY	SORP / IFRS CLASS
LGIM Over 15 Year Gilts	FTSE A UK Conventional Gilts Over 15 Year Index	To track the performance of the benchmark to within +/-0.25% p.a. for 2 years out of 3	Daily	(b) / 2
LGIM All Stocks Index-Linked Gilts Index	FTSE A UK Index-Linked Gilts All Stocks Index	To track the performance of the benchmark to within +/-0.25% p.a. for 2 years out of 3	Daily	(b) / 2
LGIM Over 5 Year Index-Linked Gilts Index	FTSE A UK Index-Linked Gilts Over 5 Years Index	To track the performance of the benchmark to within +/-0.25% p.a. for 2 years out of 3	Daily	(b) / 2
LGIM Over 15 Year Index-Linked Gilts Index	FTSE A Index-Linked Over 15 Years Index	To track the performance of the benchmark to within +/-0.25% p.a. for 2 years out of 3	Daily	(b) / 2
LGIM Active Corporate Bond - Over 10 Year	Markit iBoxx £ Non-Gilts Over 10 Years Index	To exceed the performance of the benchmark by 0.75% p.a. (before fees) over a 3 year rolling period	Daily	(b) / 2

The assets for the underlying managers are hosted on an investment platform provided by Mobius.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the investment adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and Scheme Actuary
- Appointing the investment manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the investment manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with their investment adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The investment adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the investment manager's organisation could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of investment manager
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGER

The responsibilities of the underlying investment manager through the Mobius platform include:

- Informing the investment platform provider of any changes in the internal performance objectives and guidelines of their funds;
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments;
- Managing their funds in accordance with their stated mandates.

The underlying investment manager for the Scheme are not directly appointed by the Trustees and therefore do not have any direct responsibility to the Trustees.

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall

- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment manager according to the Trustees' instructions.