Samsung Pension Scheme

Statement of Investment Principles

February 2023

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1 Introduction

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

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

In preparing this Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment adviser, 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 this 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 this Statement without delay after any significant change in investment policy. Any changes made to this Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 Investment Responsibilities

2.1 Trustees' Duties and Responsibilities

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

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

- The regular approval of the content of this Statement
- The appointment and review of the investment manager and investment adviser
- The choice of appropriate funds to implement the agreed investment strategy
- The assessment and review of the performance of the investment manager
- The assessment of the risks assumed by the Scheme at a total scheme level
- The approval and review of the Scheme's strategic asset allocation benchmark
- The compliance of the investment arrangements with the principles set out in this Statement

2.2 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, or assistance, to the Trustees include the following:

- Setting of investment objectives
- Determining the investment strategy
- Determining an appropriate investment structure
- Advising the Trustees in relation to funds and investment managers that are suitable to meet the Trustees objectives
- Monitoring the underlying investment manager to ensure its ongoing suitability for 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

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions. However, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows. Whilst Mercer may be proactive in advising the Trustees regarding tactical investment decisions, the Trustees do not expect Mercer to provide proactive advice in all circumstances.

Mercer monitors the performance of the Scheme's investment manager against its benchmarks.

Mercer will also advise the Trustees of any significant developments of which it is aware relating to the investment manager, or funds managed by the investment manager in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives.

Mercer makes a fund based charge that covers the services as specified within the investment consultancy agreement.

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 its advice, and as noted below, any discounts negotiated by Mercer with the underlying manager are passed on in full to the Scheme.

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

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

2.3 Arrangements with Investment Manager

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 via a Trustee Investment Policy (TIP) issued by Mobius. The Mobius TIP facilitates investment into a range of funds managed by the third party investment manager and the value of the Mobius TIP is directly linked to the change in the value of the funds. Investing via a TIP forgoes the need for the appointment of a custodian.

Mobius is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA. The investment manager that is engaged by the Trustees is authorised and regulated by the FCA or the PRA.

Any investment manager used by the Trustees through the Mobius investment platform is selected based on advice from their investment adviser, which in turn is based on the investment adviser's view of their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

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

Mercer will monitor the underlying investment manager to ensure their continuing appropriateness to the mandates given. If a manager is significantly downgraded by Mercer's Manager Research Team, Mercer will advise the Trustees and the Trustees may, after appropriate discussion, replace that manager with a suitable alternative.

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

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. Discounts have been negotiated by Mercer with the underlying manager on its standard charges.

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

The Trustees therefore consider that the method of remunerating the investment manager is consistent with incentivising it to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt (or equity, which is nor relevant in this case). By encouraging a medium to long-term view, it will in turn encourage the investment manager to engage with issuers of debt (or equity – ditto) in order to improve its 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 are 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 the most appropriate basis for remunerating the underlying investment manager and is consistent with the Trustees' policies as set out in this Statement.

2.4 Summary of Responsibilities

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

3 Investment Objectives

The 'Overall Objective' of the Scheme is to:

- Achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due
- In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used within Mercer's solvency basis.

4 Investment Strategy

4.1 Setting Investment Strategy

The Trustees have determined their investment strategy after considering the Scheme's liability profile and funding position on Mercer's solvency basis, 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 has also received written advice from their investment adviser.

Taking all these factors into consideration, the Trustees have determined that the strategic asset allocation as set out below.

In making this decision, the Trustees have been satisfied that this is consistent with their investment objectives and is supported by both the Sponsoring Employer, and the Sponsoring Employer's covenant.

In respect of the investment of contributions and any disinvestments to meet member benefit payments are set out in the appendices.

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 takes 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
- Reviewing the investment objectives and strategic asset allocation
- Determining the split between the low risk bond and the hedging portfolios
- Determining the allocation to asset classes within the low risk bond and the hedging portfolios

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 fund's investment manager.

Stock Selection Decisions

All such decisions are the responsibility of the investment manager of the pooled 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 the appendices.

4.4 Social, Environmental and Ethical Policy

The Trustees understand that they must consider all financially relevant factors in making investment decisions on behalf of the Scheme. However, they may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Scheme's investments over the duration of the Scheme, if they believe that such factors reflect the views of members.

The Trustees recognises that environmental, social and governance (ESG) factors, including climate change, can all 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 and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustees believe that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

As part of the Mercer Manager Research Team appraisal process, the investment manager is rated on a number of quantitative and qualitative factors, ESG considerations are taken into account in this process.

The Trustees recognise their investment manager' approaches ESG with respect to their selection of investments and are satisfied that a responsible approach, which is consistent with the long-term financial interests of the Scheme and its members, is undertaken.

As noted earlier, the Scheme's assets are invested in pooled funds via Mobius. The Trustees have identified that the influence they can have on the ESG policies and practices of the companies in which their manager invests, is limited. The Trustees will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

4.5 Corporate Governance and Voting Policy

The Scheme is invested solely in pooled investment funds via Mobius. The Trustees policy is to pass responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment manager and expects the investment manager to use its discretion to act in the long term financial interests of investors.

The Trustees note that the investment manager's corporate governance policies are available on request and on their website.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

4.6 Stewardship

Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment manager. If the Trustees have any concerns, they will raise them with the manager.

5 Risk

Under the Pensions Act 2004, the Trustees are required to state its 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.
- They are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk, and by monitoring the development of the funding position on a quarterly basis.

Manager Risk

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

Liquidity Risk

- This is monitored according to the level of cash flows 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' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the manager, who exercises this right in accordance with its published corporate governance policies. A summary of this policy can be 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.

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 work closely with their investment adviser and will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- 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.

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 currency risk related to overseas investments is delegated to the underlying investment manager.

Interest and Inflation rate risk

- This is the risk that an investment's value will change due to a change in the level of interest and/or expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of interest and inflation risk and for this reason it is desirable for the assets to be exposed to an appropriate level of interest/inflation rate risk.
- The Trustees acknowledge that the interest/expected inflation rate risk related to individual debt instruments is managed by the underlying investment manager through a combination of strategies, such as diversification, duration and yield curve management

Other Price Risk

- This is the risk of volatility that principally arises in relation to higher risk growth assets, such as equities. The Trustees no longer invests in higher risk growth assets, however, should the Scheme do so, the Trustees acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG Risk

- This is the risk that ESG or corporate governance 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 a well-respected investment manager where ESG principles are an established part of the investment decision making process and by regularly reviewing the investment adviser's ESG scoring of the Scheme's manager.

6 Monitoring of Investment Adviser and Manager

6.1 Investment Adviser

The Trustees assess and review the performance of their adviser in a qualitative way and will take into account the objectives it set for the investment adviser in the document entitled “Strategic Objectives for Investment Consultancy Services”.

6.2 Investment Manager

The Trustees receive quarterly 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. They also provide returns of market indices so that these can also be used to help inform the assessment of the underlying manager’ performance.

The reporting also reviews the performance of the Scheme’s assets in aggregate against the Scheme’s strategic benchmark and also relative to the Scheme’s liabilities.

In conjunction with advice and information from the investment adviser, the Trustees will decide when it is appropriate to replace the underlying investment manager/fund. The Trustees take a long-term view when assessing whether to replace the underlying investment manager/fund, 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 its fund’s mandate over the long term.

Changes will also 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 is invested, although note that the performance monitoring reports which they receive are 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 consider it appropriate not have an overall portfolio turnover target for the Scheme.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested.

7 Additional Voluntary Contributions (AVCs)

The Scheme, before it closed to future accrual, provided a facility for members to pay Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement. Assets are invested in a range of funds with Aviva plc and Scottish Equitable plc.

8 Best Practice

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

The Trustees are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

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.

9 Compliance

This Statement is available to members online.

Signed on behalf of the Trustees: ....

Print name: ....

Date: ....

Appendix 1: Asset Allocation Benchmark

The Scheme's asset allocation benchmark is set out below.

	Strategic Asset Allocation (%)
Low Risk Bond	**15**
Active Corporate Bonds (L&G Active Corporate Bond - Over 10 Years)	15
Hedging*	**85**
Fixed Interest Gilts (L&G Over 15 Year Fixed Interest Gilts)	15
Index-Linked Gilts (L&G Over 15 Year Index-Linked Gilts)	70
Cash**	**0**
Sterling Liquidity	0

NB: There are no guideline ranges as the actual asset allocation percentages will change as investment market conditions change. The Trustees, along with their advisor, will assess the allocations on an ongoing basis and make adjustments as, and when, they see fit based.

*The hedging assets are designed to hedge the valued placed on the liabilities. Hence, like the liabilities, their values will float as interest and expected inflation rates change. Alterations to the actual percentage allocation may take place from time to time, which will be driven by the actual interest and inflation hedge ratios relative to their targets (rather than simply the percentage held).

**There is no long term allocation to cash, however, from time to time there may be the need to hold a proportion over the short term.

Appendix 2: Cash Flow and Re-balancing Policy

Cashflow Policy

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

Where this is not possible, investments and disinvestments will be applied to the assets in line with the strategic asset allocation, as set out above.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme's cashflow requirements.

Rebalancing Policy

There is no automatic rebalancing of the assets back to the Scheme's strategic asset allocation. Instead the Trustees will use the reporting provided by Mercer to determine if any action is required.

Appendix 3: Investment Manager Information

The tables below show the details of the Scheme’s mandates.

Low Risk Bond

Manager / Fund	Benchmark	Objective	Dealing Frequency
L&G BJ - Active Corporate Bond - Over 10 Years	Markit iBoxx £ Non-Gilts Over 10 Years Index	To outperform the benchmark by 0.75% p.a. (before fees) over a three year rolling period.	Daily

Hedging

Manager / Fund	Benchmark	Objective	Dealing Frequency
L&G AF - Over 15 Year Gilts Index	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.	Daily
L&G HC - Over 15 Year Index-Linked Gilts	FTSE A Index-Linked (Over 15 Year) Index	Track the performance of the FTSE A Index-Linked (Over 15 Year) Index to within +/-0.25% p.a. for two years out of three	Daily

Cash

Manager / Fund	Benchmark	Objective	Dealing Frequency
L&G TA – Sterling Liquidity	SONIA	The fund aims to offer access to liquidity whilst providing capital stability.	Daily

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 the Scheme Actuary
- Appointing an appropriate investment platform provider
- Selecting appropriate investment managers/funds
- Assessing the quality of the performance and processes of the investment manager by means of regular reviews of investment returns and other relevant information, in consultation with the 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 the review of this Statement
- Production of performance monitoring reports
- Informing the Trustees of any significant changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when the investment adviser is made aware of them
- 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' organisation, or that of underlying investment manager, 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 a manager and/or platform provider
- Informing the Trustees of any significant changes or concerns in relation to the platform provider's suitability

Platform Provider / Investment Manager

As noted in this Statement, Mobius is the investment platform provider and contracts with the underlying investment manager on behalf of the Trustees.

Mobius' responsibilities include the following:

- Providing the Trustees, on a monthly basis, with a statement and valuation of the assets
- Ensure contributions are invested/disinvested in accordance with instructions, and that switches are processed accordingly
- Ensure instructions are in accordance with the authorised signatory lists

The responsibilities of the underlying investment manager include:

- Informing the 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 its funds in accordance with its stated mandates

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