

Investment Policy Implementation Document for the Alfa Laval Pumps Limited Pension Scheme

1. Introduction

This Investment Policy Implementation Document ("IPID") for the Alfa Laval Pumps Limited Pension Scheme (the "Scheme") sets out details of the Scheme's investment arrangements, based on the principles set out in its Statement of Investment Principles ("SIP") dated 7 July 2023.

The IPID should be read in conjunction with the SIP.

The IPID has been prepared by the Trustees of the Scheme, and the Trustees are responsible for ensuring it reflects the current investment arrangements.

2. Investment strategy

The Scheme's investment strategy, as described in the SIP, along with the investment managers appointed to implement the strategy are set out below.

Asset class	Strategic allocation
Short Duration Credit	15.0%
Gilts & Index-Linked Gilts	73.0%
Leveraged ¹ LDI	7.0%
Liquidity	5%
Total	<u>100.0%</u>

The Trustees have appointed Mobius Life Limited ("the Platform Provider") to manage Scheme assets. The platform provider is regulated under the Financial Services and Markets Act 2000 and has been selected in order to effect cost and operational efficiencies in the management of the assets.

Details of the investment manager arrangements and their objectives are set out below.

The investment managers are responsible for custody of the assets in the pooled funds. Responsibility is delegated to custodians chosen by investment managers. The Trustees do not have a direct relationship with the custodians.

a) Legal & General – Gilts, index-linked gilts, leveraged Liability Driven Investments "LDI", and liquidity

The Scheme invests in fixed-interest gilts and index-linked gilts through a range of pooled funds, as shown in the table below. The funds aim to track the respective benchmarks within +/- 0.25% pa for two out of three years.

¹ The Scheme uses leverage within its LDI investment and makes use of derivatives and gilt repo contracts to reduce interest rate and inflation risk.

Fund name	Fund benchmark
0 to 5 Years Index-Linked Gilts Index Fund	FTSE A UK Index-Linked Gilts up to 5 Years Index
5 to 15 Years Index-Linked Gilts Index Fund	FTSE A UK Index-Linked Gilts 5 to 15 Years Index
Over 15 Years Index-Linked Gilts Index Fund	FTSE A UK Index-Linked Gilts Over 15 Years Index
Over 15 Year Gilts Index Fund	FTSE A Government Over 15 Year Index

The Scheme also invests in leveraged LDI via L&G's Matching Core range. The benchmark for these funds are a typical pension scheme's liability profile as determined by LGIM.

Fund name	Fund objective
Matching Core Fixed Short Fund	To hedge against nominal rate liabilities using a range of hedging assets.
Matching Core Fixed Long Fund	To hedge against nominal rate liabilities using a range of hedging assets.
Matching Core Real Short Fund	To hedge against real rate liabilities using a range of hedging assets.
Matching Core Real Long Fund	To hedge against real rate liabilities using a range of hedging assets.

The Scheme uses L&G's liquidity fund to provide collateral for the LDI portfolio.

b) Insight – Short Duration Credit

The Scheme primarily invests in investment grade global corporate bonds through a pooled fund called the Short Dated Buy and Maintain Credit Fund. Insight's objective is: "to seek to generate a return for investors by investing primarily in a portfolio of short-dated debt securities". Insight uses the Markit iBoxx GBP Corporates & Collateralized 0-5 years Index as a reference for performance – seeking to achieve returns similar to or greater than this in the long term. However this is a reference only (rather than a benchmark) and Insight retains a high degree of discretion with respect to the selection of investments.

3. Monitoring and engaging with managers on voting and engagement

This section sets out the Trustees effective system of governance ("ESOG") in relation to stewardship. This includes monitoring the voting and engagement activities that the Trustees' investment managers undertake on their behalf, engaging with them regarding their expectations in relation to stewardship, and encouraging improvements in their stewardship practices. The Trustees will review this ESOG periodically.

a) Stewardship priorities

The Trustees have selected some priority themes to provide a focus for their monitoring of investment managers' voting and engagement activities. The Trustees will review them regularly and update them if appropriate. The Trustees current priorities are climate change, human rights and business ethics.

The Trustees chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustees believe it is in their members' best interests that their managers adopt strong practices in these areas.

The Trustees will write to their investment managers to notify them of their stewardship priorities, set out viewpoints and issues of interest, and remind them of their expectations of them in relation to responsible investment – i.e. ESG considerations, climate change, voting and engagement.

b) Manager selection

The Trustees aim to appoint investment managers that have strong responsible investment skills and processes and have a preference for managers and funds with net zero targets and credible plans to meet them. The Trustees therefore favour investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative.

When selecting new managers, the Trustees consider their investment consultant's assessment of potential managers' capabilities in this area. If the Trustees meet prospective managers, they usually ask questions about responsible investment, focusing on their stewardship priorities.

c) Manager monitoring

The Trustees receive information regularly to enable them to monitor their managers' responsible investment practices and check how effective they're being.

This information includes metrics such as the Trustees' investment consultant's responsible investment grades for each manager, whether they are signatories to responsible investment initiatives, and (in some cases) carbon emissions data for the Trustees' mandates. It also includes a selection of voting and engagement examples relating to the Trustees' stewardship priorities. The examples are chosen to reflect their stewardship priorities and material mandates over the course of the scheme year (although not necessarily every priority for every mandate).

d) Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, the Trustees expect most managers will have areas where they could improve. The Trustees therefore aim to have an ongoing dialogue with their managers to clarify their expectations and encourage improvements.

The Trustees review the information outlined above to identify any concerns, for example where the managers' actions are not aligned with their views. Where there are concerns, the Trustees typically seek further information through their investment consultants. If a concern is confirmed, they will consider what further action is appropriate.

e) Implementation statement including most significant votes

Following the end of each Scheme year, the Trustees prepare a statement which explains how they have implemented their Statement of Investment Principles voting and engagement policies during the year. The Trustees publish it online for their members to read.

In the statement, the Trustees describe how their managers have voted on their behalf during the year, including the most significant votes cast. The Trustees select these votes from a set of significant votes compiled by their investment consultant from those provided by their managers. In doing so, the Trustees have regard to:

- whether it relates to one of their stewardship priorities;
- the potential financial impact of the vote;
- the size of their holding; and
- whether the vote was high-profile or controversial.