Tyco Electronics UK Pension Plan (the "Plan")

Chair of Trustees Governance Statement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") were amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 to include the requirement for the Trustees to prepare an annual statement regarding governance, which should be included in the annual report.

This statement issued by the Trustees covers the period from 1 October 2019 to 31 September 2020 and is signed on behalf of the Trustees by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- The Default Arrangement,
- Processing of core financial transactions,
- Member borne charges and transaction costs,
- Value for Members assessment, and
- Trustees knowledge and understanding.

1. The Default Arrangement

The Trustees are responsible for the governance of the Plan's investments. This includes setting and monitoring the default investment strategy in members' interests. The Trustees consider the level of costs and the risk profile that are appropriate for the Plan's membership in light of the overall objective of the default investment strategy.

The default fund for DC members is the Standard Life Deposit and Treasury Fund. The default was put in place for DC members that were transferred into the Plan without a choice of where to invest their fund, which constitutes a default under the Charges and Governance Regulations 2015.

The Trustees and our advisers, Aon UK Limited reviewed the default investment strategy during 2020. The primary aim of the fund is to maintain capital and provide returns before charges in line with short term money market rates by investing in deposits and short-term money market instruments. The fund price is not guaranteed and there could be circumstances where the fund price may fall.

The Standard Life Deposit and Treasury Fund outperformed its benchmark on a gross basis (before charges) over the year to 30 September 2020 and has therefore met the fund's objective. The decrease in the Bank of England base interest rate during March 2020 has reduced the level of return over the last year and made it even harder for the Fund to provide any growth net of charges which may continue for some time.

There is no default investment arrangement in place for any of the Additional Voluntary Contributions ("AVCs") arrangements currently with Standard Life, Prudential and Utmost Life and Pensions.

The Statement of Investment Principles is included as an appendix to this statement. The Statement of Investment Principles governs decisions about investments in the default investment strategy and has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustees are expected to:

i. Review the investment strategy and objectives of the default investment arrangement at regular intervals, and at least once every 3 years; and

ii. Take into account the needs of the Plan membership when designing the default arrangement.

2. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. The law specifies that these include the following:

- Investing contributions in the Plan;
- Transferring assets relating to members into and out of the Plan;
- Transferring assets relating to members between different investments within the Plan; and
- Making payments from the Plan to or on behalf of members/beneficiaries.

These transactions are undertaken on the Trustees' behalf by the Plan's administrators, Standard Life, Prudential and Utmost Life and Pensions. The Plan is closed to new entrants and to any further contributions. As a result, the main core financial transactions are member investment switches and disinvestment of assets. The Trustees monitor the Service Level Agreements (SLAs), where available, on an annual basis.

Standard Life provided details of core financial transactions undertaken through its administration reports which also include details on performance against the SLAs. Standard Life aims to complete 90% of all requests received within 10 working days.

During the period covered by this statement, Standard Life completed 94% of requests within the SLAs target of 10 working days. Additionally, 59% of all requests were completed within 5 working days.

The Trustees have also requested information on the SLAs from both Prudential and Utmost Life and Pensions.

Prudential have moved away from transactional reporting, where any and every touch had an SLA to End to End reporting. Prudential now measure performance against the total time taken to deal with a work item, from the day of receiving it, through to the closure date of the work item. The aim and early experience of this is that queries will be dealt with in a shorter number of days.

Utmost Life and Pensions do not provide SLAs at scheme level, however it provided SLAs for their heritage Equitable Life (who were the previous provider) business up until the point of transfer. In the period 1 January 2019 to 31 December 2019 97% of payments were completed within 5 working days and 98% of illustration and general queries in 10 working days. This information is based on the whole heritage Equitable Life business.

In light of the above, the Trustees consider that the requirements for processing core financial transactions have been met.

3. Member Borne Charges and Transaction costs

The Trustees should regularly monitor the level of charges borne by members through funds. These charges comprise:

- Explicit charges, such as the Annual Management Charge (AMC) and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER).
- Transaction costs borne within the fund for activities, such as buying and selling of particular securities within the fund's portfolio.

We requested details of transaction costs levied on each fund held by members over the Plan year. Where available, these are set out in the table below, and are shown as a percentage of the fund over the period.

Transaction costs are largely the result of buying and selling investments in a fund therefore actively managed funds, such as the Standard Life/Schroder Life Intermediated Diversified Growth Fund, will usually have much higher transaction costs than passively managed funds, such as the Standard Life BlackRock Aquila Connect 30:70 Currency Hedged Global Equity Index Fund or funds that invest in more liquid assets, such as cash funds.

The transaction costs shown below are calculated using the standardised method set by the Financial Conduct Authority.

Explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker to buy and sell investments) and costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as 'negative costs'. This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order, because something has happened in the market that pushes the price of the asset down - such as some negative publicity or a big sell order by someone else.

Standard Life

	AMC	Additional Expenses	Transaction Costs^	TER^
Current Fund Range				
Standard Life BlackRock Aquila Connect 30:70 Global Equity Tracker (Hedged)	0.58%	0.00%	0.070%	0.650%
Standard Life UK Equity Select	0.90%	0.00%	0.070%#	N/P
Standard Life/BlackRock Aquila Connect World ex UK Equity Tracker	0.50%	0.00%	0.023%	0.523%
Standard Life/Schroder Intermediated Diversified Growth	1.15%	0.00%	0.376%	1.526%
Standard Life Corporate Bond	0.50%	0.00%	0.027%	0.527%
Standard Life Annuity Targeting Pension	0.50%	0.00%	0.113%	0.613%
Standard Life Property	0.50%	0.00%	0.189%	0.689%
Standard Life Deposit and Treasury	0.50%	0.00%	0.066%	0.566%
Legacy Funds*				
Pension With-Profits One	0.65%	0.00%	0.081%	0.731%
Pension With-Profits One 2006	0.70%	0.00%	0.081%	0.781%
SL ASI Global Real Estate	1.00%	0.00%	0.404%	1.404%
Standard Life ASI MyFolio Managed V	0.30%	0.00%	0.241%	0.541%
Standard Life Global Equity 50:50	0.50%	0.00%	0.315%	0.815%
Standard Life At Retirement (Multi Asset Universal)	0.50%	0.00%	0.206%	0.706%

N/P – Data not provided

**Legacy Funds - funds which contain member assets, however these are no longer available for new investments.*

^Rounded to 3 decimal places.

#Standard Life only provided transaction costs for 99% of the fund, 1% was therefore not provided and is unknown.

The illustration below is based on a member invested in the Standard Life BlackRock Aquila Connect 30:70 Global Equity Tracker (Hedged) Fund where most members assets are invested, the estimated impact of charges on projected retirement values is shown overleaf. Projections are based on a current fund value of £11,127 and are shown in current money terms for different terms to retirement.

As the projected fund values are dependent on investment returns as well as the level of costs and charge, we have also included some comparison figures in the table. For comparison purposes, we show projected values if the example member were invested in the lowest charging fund (Standard Life/BlackRock Aquila Connect World ex UK Equity Tracker Fund) and the highest charging fund (Standard Life/Schroder Intermediated Diversified Growth Fund).

	Standard Life BlackRock Aquila Connect 30:70 Global Equity Tracker (Hedged)		Standard Life/BlackRock Aquila Connect World ex UK Equity Tracker		Standard Life/Schroder Intermediated Diversified Growth	
Number of years Invested	Before charges (£)	After all charges (£)	Before charges (£)	After all charges (£)	Before charges (£)	After all charges (£)
1	£11,300	£11,300	£11,300	£11,300	£11,200	£11,100
3	£12,000	£11,800	£12,100	£11,900	£11,500	£11,000
5	£12,700	£12,300	£12,700	£12,400	£11,900	£11,000
10	£14,800	£13,800	£14,700	£13,900	£12,800	£10,900
NRA	£15,700	£14,400	£15,700	£14,600	£13,100	£10,800

- Projected values are shown in today's terms and do not need to be reduced further for the effect of inflation
- The starting pot size is assumed to be £11,127 for someone aged 53
- Assumes pension is taken at age 65 (normal retirement age)
- Inflation is assumed to be 2% p.a.
- Values are not guaranteed
- The projected growth rate for each fund are shown below:
    - Standard Life BlackRock Aquila Connect 30:70 Global Equity Tracker (Hedged) – 5.0%
    - Standard Life/BlackRock Aquila Connect World ex UK Equity Tracker – 5.0%
    - Standard Life/Schroder Intermediated Diversified Growth – 3.5%

This illustration has been produced for the Trustees in line with Statutory Money Purchase Illustration assumptions set out by legislation.

Although the charge cap of 0.75% does not apply to AVC arrangements, it is a good indicator of value for money. Most funds are well below the charge cap, however, four funds are above the charge cap. Two of those funds are legacy funds and therefore are not available for new members to invest in.

Overall, given the current environment, the Trustees consider the charges for the Standard Life arrangement provides good value for money for members. When the total cost of all charges (TER) is taken account of, most funds are within 0.05% of the charge cap. In addition, the Government and FCA are focusing on schemes with a charge of 1% p.a., which it considers to be excessive. There are two funds (SL ASI Global Real Estate and Standard Life/Schroder Intermediated Diversified Growth funds) with a TER in excess of 1%. The Trustees are intending to monitor the funds for the time being.

Prudential

	AMC	Additional Expenses	Transaction Costs	TER
With-Profits Cash Accumulation	1.00%	0.00%	0.10%	1.10%

The illustration below is based on the youngest member with the average fund value (excluding any final bonus) invested in the With-Profits Fund. The estimated impact of charges on projected retirement values is shown overleaf. Projections are based on a current fund value of £7,329 and are shown in current money terms for different terms to retirement.

	With Profits		
Number of Years Invested	Before charges (£)	After all charges (£)	Effect of Charges (£)
1	7,329	7.329	-
3	7,770	7,520	250

- The starting pot size is £7,329 for someone age 57
- Inflation is assumed to be 2.5% p.a.
- Retirement is assumed at an age of 60
- No contributions are payable
- Fund values shown are estimates and are not guaranteed, and they do not take account of any possible final bonus on the With Profits Fund
- The value of members' funds at retirement will depend upon the bonuses declared on the With Profits Fund and any final bonus added at retirement
- The projected fund values shown are estimates for illustrative purposes only and are not guaranteed
- The projected growth rate for the With Profits Fund is 4.5%

This illustration has been produced by the Trustees in line with Statutory Money Purchase Illustration assumptions set out by legislation.

The illustration below is based on the average aged member with the average fund value (including current final bonus) invested in the With-Profits Fund. The estimated impact of charges on projected retirement values is shown overleaf. Projections are based on a current fund value of £13,643 and are shown in current money terms for different terms to retirement.

	With Profits		
Number of Years Invested	Before charges (£)	After all charges (£)	Effect of Charges (£)
1	13,643	13,643	-
3	13,910	13,760	150

- The starting pot size is £13,643 for someone age 59
- Inflation is assumed to be 2.5% p.a.
- Retirement is assumed at an age of 60
- No contributions are payable
- Fund values shown are estimates and are not guaranteed, and they do not take account of any possible final bonus on the With Profits Fund
- The value of members' funds at retirement will depend upon the bonuses declared on the With Profits Fund and any final bonus added at retirement
- The projected fund values shown are estimates for illustrative purposes only and are not guaranteed
- The projected growth rate for the With Profits Fund is 4.5%

This illustration has been produced by the Trustees in line with Statutory Money Purchase Illustration assumptions set out by legislation.

While it is not applicable to the Plan, the charge cap of 0.75% is a useful guide is assessing value for money. The With-Profits Cash Accumulation Fund is in excess of 1.00% where the charge appears to be excessive. However, there are guaranteed bonus rates which apply to contributions on death or retirement, the level of bonus depends on when the contribution was paid. The following guaranteed bonus rates apply:

- 4.75% applies to premiums paid in scheme years ending before 15 March 1997
- 2.5% applies to premiums paid in scheme years ending between 15 March 1997 and 30 December 2003
- 0.01% applies to premiums paid in scheme years ending on or after 31 December 2003

Overall, given the current environment and the lack of alternatives the Trustees consider the AMC for the Prudential arrangement provides reasonable value for money for members.

Utmost Life and Pensions

	AMC	Additional Expenses	Transaction Costs^	TER^
UK Equity	0.75%	0.00%	0.296%	1.046%
UK FTSE All Share Tracker	0.50%	0.00%	0.063%	0.563%
Asia Pacific Equity	0.75%	0.00%	0.247%	0.997%
European Equity	0.75%	0.00%	0.275%	1.025%
Global Equity	0.75%	0.00%	0.163%	0.913%
US Equity	0.75%	0.00%	0.117%	0.867%
Multi-Asset Cautious	0.75%	0.00%	1.152%	1.902%
Multi-Asset Moderate	0.75%	0.00%	0.871%	1.621%
Multi-Asset Growth	0.75%	0.00%	0.671%	1.421%
Managed	0.75%	0.00%	0.162%	0.912%
Sterling Corporate Bond	0.75%	0.00%	0.001%	0.751%
UK Government Bond	0.50%	0.00%	0.054%	0.554%
Money Market	0.50%	0.00%	0.002%	0.502%
Secure Cash Fund*	0.50%	N/P	N/P	N/P

N/P – Data not provided
**The Secure Cash Fund closed on 31[t] December 2020*
^Rounded to 3 decimal places

Utmost Life and Pensions have provided example illustrations. The illustration below is based on a member invested in the Utmost Life and Pensions Investing by Age Strategy, which is where most members funds are invested, the estimated impact of charges on projected retirement values is shown. Projections are based on a current fund value of £1,000 and are shown in current money terms for different terms to retirement.

As the projected fund values are dependent on investment returns as well as the level of costs and charge, we have also included some comparison figures in the table. For comparison purposes, we show projected values if the example member were invested in the in a lowest charging fund (Money Market) and the highest charging fund (Multi-Asset Cautions).

	Investing by Age Strategy		**Money Market**		**Multi-Asset Cautious**	
Number of Years Invested	Before charges (£)	After all charges (£)	Before charges (£)	After all charges (£)	Before charges (£)	After all charges (£)
1	1,007	998	980	976	997	986
3	1,021	995	943	928	991	959
5	1,035	992	906	883	985	933
10	1,061	973	821	781	971	871
15	1,061	926	744	690	957	812

Utmost Life and Pensions have made the following assumptions:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £1,000 for a Male aged 50
- Inflation is assumed to be 2.5% p.a.
- Values shown are estimates and are not guaranteed
- The projected growth rate for each fund are as follows:
  - Multi-Asset Moderate 3.2% p.a.
  - Multi-Asset Cautious 2.2% p.a.
  - Money Market 0.5% p.a.
- Contributions are assumed to be paid up to age 65 and increase in line with assumed earnings inflation of 2.5% p.a.

This illustration has been produced for the Trustees in line with Statutory Money Purchase Illustration assumptions set out by legislation.

The Trustees had concerns around the Equitable Life With-Profits Fund and were monitoring the fund on an annual basis. The transfer from Equitable Life to Utmost Life and Pensions completed on 1 January 2020 as planned and removed the concerns of the Trustees. Utmost Life and Pensions are responsible for the funds from this date. Members funds were initially invested in the Secure Cash Fund and then gradually switched in instalments over a period of six months into the Investing by Age Strategy.

Most funds have an AMC at the level of the charge cap of 0.75% that is applicable to default funds of DC schemes, with only a passively managed UK equity fund, a government bond fund and a money market fund below this charge. The impact of this however is that positive transaction incurred will result in the TER being above 0.75%. Additionally, there has been a high level of buying and selling of units due to members being initially invested in the Secure Cash Fund, and gradually moved across to the Investing by Age Strategy from 1 July 2020. This has created additional transaction costs that are unlikely to be replicated in future years.

Overall, given the current environment, the Utmost Life and Pensions arrangement provides reasonable value for money for members based on the short time members have been invested. The Trustees will need to monitor the funds to ensure that transaction costs settled down once the members were fully transitioned to the Investing by Age Strategy.

4. Value for Members assessment

The Administration Regulations require the Trustees to review the charges and transactions costs borne by members funds and the extent to which those charges and costs and also the investment options and benefits offered by the Plan represent “good value” for money for its members.

The Trustees assessed the extent to which charges and transaction costs represent good value for members of the Plan’s arrangements. The Trustees’ assessment included:

- A review of the performance of the investment funds in the context of their investment objectives
- A review of the non-financial benefits of the arrangement, for example, the quality of the customer services and communications
- A comparison of the level of charge with the benefits delivered to members

Based on this assessment, the arrangement remains reasonable value to members and communications are sent to members on an ongoing basis.

Standard Life and Utmost Life and Pensions has been rated as appropriate by the Plan’s AVC advisors and the Prudential With-Profits Cash Accumulation Fund has been rated as a very strong with-profits fund.

5. Trustees Knowledge and Understanding (TKU)

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Plan assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The Trustees' have met the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) during the Plan year through the following measures:

- The Trustees are conversant with the Trust Deed and Rules and the Statement of Investment Principles for the Plan. The Trustees revert to the legal advisor for any clarification if required
- Working towards completion of the Pension Regulator's trustee toolkit, including the modules relating to running a DC occupational arrangement
- Assessing training needs and considering whether any gaps exist in individual Trustees knowledge and understanding
- Maintaining training logs for each individual Trustee, which support the above

In addition to the knowledge and understanding, the Trustees have engaged with their appointed professional advisers regularly throughout the year to ensure that they run the AVC and DC arrangements and exercise their functions properly, including the following:

- Reviewing annual administration levels from Standard Life, Prudential and Utmost Life and Pensions (where available) to monitor service delivery against agreed service levels
- Reviewing annual reporting of each individual investment fund against its benchmark with advice from its adviser (Aon), to monitor performance of the Plan's funds against targeted benchmarks and overall Plan aim and objectives
- Ensuring that an audit of the Trustees' Report and Accounts was carried out for the Plan year ended 30 September 2020
- Holding four regular Trustees meetings (with additional ad-hoc meetings and conference calls as required) with advisers who provide reporting and specialist advice before asking the Trustees to take relevant decisions as required. Minutes of each Trustees meeting document the information shared and specialist advice given

Considering the training activities completed by the Trustee Board together with the professional advice available to the Trustees, the Trustees consider that it meets the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and is confident that the combined knowledge and understanding of the Trustees, together with the input from its advisers, enables them to properly exercise their functions as the Trustees of the Plan.

Signed on behalf of the Trustees of the Tyco Electronics UK Pension Plan.

Chair of the Trustees:

Signed: [Redacted from public copy] Date: 8 April 2021

Name: Pam Waluga

Appendix to the Chair of Trustees Governance Statement

TEUKPP Statement of Investment Principles

The Tyco Electronics (UK) Pension Plan ("the Plan") Statement of Investment Principles

Scope of Statement

This document describes the investment policy being followed by the Trustees of the Tyco Electronics UK Pension Plan (the "Trustees") for governing, managing and administering the investment of the assets of the Tyco Electronics UK Pension Plan (the "Plan"). This Statement of Investment Principles ("SIP") sets out the Plan's policies in the following principal areas:

- Investment objective
- Investment strategy
- Implementation
- Risk
- Governance
- Direct investments

This SIP has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005). It has also been drafted to reflect the Myners Code of Best Practice.

This SIP covers both the defined benefit section of the Plan and the defined contribution section.

The Trustees have consulted with the Employer, prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

Investment Objective

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided thereby reducing the Plans' dependency on contributions from the Company. In setting the investment strategy, the Trustees considered how to most effectively meet the long-term objective of the Plan. The investment strategy has been designed to target a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities. The investment strategy should seek to provide the optimal level of long-term returns needed by the Plan to satisfy its liabilities at an acceptable level of risk.

Investment Strategy

The Trustees have agreed a long-term investment strategy for when the Plan reaches full funding on a Self-Sufficiency basis and have put in place a de-risking framework designed to transition the current investment strategy of the Plan towards the long-term investment strategy as the funding level improves. This framework has been designed so that the Plan continues to be expected to reach the funding objective by the target date of 2028. More details on the de-risking framework are set out in the Investment Policy Guidance Document ("IPGD").

Both the current and long-term investment strategy were determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. In setting this policy, the Trustees have assumed that the assets will generate a return above the liabilities over the long term. However, the Trustees recognise the potential volatility in these returns, particularly relative to the Plan's liabilities, and the risk that the Plan's assets do not achieve the target set. When choosing the Plan's current and long-term investment strategy the Trustees considered written advice from its investment advisers and, in doing so, addressed the following:

- The long-term nature of the Plan's liabilities
- The Plan's funding level

The investment strategy and de-risking framework should be recalibrated fully after each triennial valuation, or earlier if the Trustees believe it is required; for example, after a significant change to the benefit structure or membership.

Implementation

The Trustees have appointed Aon Investments Limited ('AIL') who are authorised and regulated by the Financial Conduct Authority (FCA), to manage the Plan's assets as their fiduciary manager. This has been done to further aid the diversification of the Plan's assets and to reduce the investment risk relative to the Plan's liabilities. Aon Solutions UK Limited ('ASUL') has also been selected as the Trustees investment consultant. The Trustees have taken advice from ASUL regarding the suitability of AIL in this capacity and recognises that there exists a potential conflict of interest in ASUL giving this advice. The Trustees have sought details of ASUL's conflict management policy and procedures and is satisfied that such potential conflict is appropriately managed and that AIL has the necessary skills and competence to exercise the powers delegated to it.

The Trustees have delegated all day-to-day decisions in respect of the Plan's investments to AIL through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, AIL are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). AIL will invest the portfolio so that the underlying exposure to assets will be properly diversified in such a way as to avoid excessive reliance on any particular asset or manager and so as to avoid accumulation of risk in the portfolio as a whole. AIL may use pooled vehicles to help with diversification.
The day to day management of the Plan's underlying assets, including the realisation of investments, has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority.

Risk

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is managed by AIL when selecting and monitoring the Plan's underlying managers.
- The failure to spread investment risk ("risk of lack of diversification"). AIL considers this risk when setting the Plan's underlying asset allocation.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustees have agreed a funding arrangement with the Principal Employer to reach full funding on the self-sufficiency basis by 2028. The funding level of the Plan will be assessed at each Triennial Valuation relative to the Recovery Plan, and should the Plan be behind target the Principle Employer will make a contribution into the Charged Custody Account, established for this arrangement, sufficient to bring the Plan's funding level up to target. Putting in place this arrangement helps mitigate the risk of the Plan having insufficient assets to make provision for 100% of its liabilities as valued on the self-sufficiency basis.

The Trustees' policy is to monitor, where possible, these risks periodically. The Trustees review periodic reports provided by their investment adviser, fiduciary manager, actuary, and the sponsoring employer regarding:

- Funded Status of the Plan versus the Recovery Plan.
- Performance of AIL versus their target.
- Any significant issues with the fiduciary manager or underlying fund managers that may impact their ability to meet the performance target set by the Trustees.
- Credit reports of the Plan's sponsoring employer.
- Annual assessment of performance of ASUL relative to investment consultant objectives set by the Trustees
- Compliance report / performance review of other service providers.

Arrangements with the Fiduciary Manager and Fund Managers

In setting the Plan's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These risks include, among many other things; the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly.

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

The Trustees request to receive regular reports and verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objective and assess the fiduciary manager over 3-year periods.

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

The Trustees have shared the policies, as set out in this SIP, with AIL and request that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying asset managers to the AIL. AIL monitor the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

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

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

If a case should arise when the Trustees consider AIL to have made a decision or action that is not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will seek to engage with AIL to understand the circumstances and materiality of the decisions made and take appropriate action.

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

Costs and Performance

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

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

- The total amount of investment costs incurred by the Plan;
- The fees paid to AIL (including investment consultancy fees)
- The fees paid to the investment managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by AIL;
- The trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the fiduciary manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Plan.

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

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

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

Evaluation of performance and remuneration:

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

AIL is remunerated on a fixed fee basis calculated as a percentage of the assets under management. Additional tasks outside of the fixed fee will be charged on a time and materials basis or a fee agreed for the project in advance.

Stewardship – Voting and Engagement

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

As part of the AIL's management of the Plan’s assets, the Trustees expect them to:

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

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant or where votes were abstained.

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

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

Members' Views and Non-Financial Factors

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

Securities Lending

Securities owned by the Plan, but held in custody by another party, such as a bank custodian, will not be loaned to any other party for any purpose, unless such securities lending is pursuant to a separate agreement which the Trustees have approved, or the Plan is invested in a pooled fund that permits securities lending.

Prohibited Investments/Derivatives

The following investments are generally prohibited, barring specific Trustees approval unless investment is made in a pooled fund and the Trustees have approved investment into the fund:

- Short sales
- Margin transactions
- Purchases or sales of physical commodities or commodities contracts
- Restricted stock
- Investments representing more than 10% of any security or issuer other than the UK Government and its instrumentalities
- Transactions prohibited by the Pensions Act 1995 (and amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

Investment in securities of TE Connectivity Ltd. (NYSE ticker: TEL) and its subsidiaries are permitted only in pooled funds, provided that the investment is consistent with the Investment Manager guidelines. Investments in such securities will be limited to no more than 5% of total Plan assets.

Governance

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

Trustees • Setting, reviewing, and revising the SIP, investment objectives, and constraints consistent with risk tolerance. • Evaluate success of the overall investment strategy. • Select / Monitor / retain / terminate investment advisors the fiduciary manager, and other service providers including monitoring of fees • Set structures and processes for carrying out its role.
Investment Consultant • Advise on the investment objective, de-risking framework and level of hedging provided by the Plan's assets. • Review overall performance of the Plan's assets relative to this statement. • The training of the Trustees, where required, in all matters concerning investments.
Fiduciary Manager • Operate within the terms of this statement • Provide annual cost and stewardship report to assist the Trustees with meeting their regulatory requirements • Set the strategy for investing in different asset classes in line with the investment objective • Determine strategy for selecting fund managers • Implement the investment strategy • Select and appoint investment managers • Monitor investment managers • Adjust asset allocations to reflect medium term market expectations • Report on asset performance against the liability benchmark • Report on asset returns against objectives • Communicate any significant changes to the investment arrangements • Implement any trades as set out in the de-risking framework • Manage the Plan's cashflows and implement any trades required to meet benefit payments
Plan Actuary • Liaising with the investment consultant on the suitability of the Plan's investment strategy given the financial characteristics of the Plan. • Assessing the funding position of the Plan relative to the Technical Provisions and advising on the appropriate response to a shortfall. • Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels. • Providing funding level monitoring through the use of asset liability suite for the purpose of implementing the de-risking framework.

Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review their direct investments and to obtain written advice about them regularly. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against a set criteria which takes into account the best interest of the member and beneficiaries, the security, quality, liquidity and profitability of the investments, as well as the nature and duration of liabilities. Also, of consideration is diversification, the ability to trade on regulated markets and the use of derivatives.

Other Governance Issues

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995 to act within an investment capacity for the Plan.

The Trustees expect the AIL and the underlying fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

BNY Mellon have been appointed as the Plan's custodian. For each of the underlying pooled fund investments, the fund manager is responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodian provides safekeeping for the Plan's assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

Defined Contributions ("DC")

Some members obtain further benefits by paying AVCs to the Plan. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs. More details are provided in the IPGD.

Document Maintenance

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Signed on behalf of the Trustees of the Tyco Electronics (UK) Pension Plan

P. Waluga (Trustee)	T. Wilkinson (Trustee)
27 August 2020	27 August 2020