

# *Statement of Investment Principles*

**For the Aker Solutions DC pension Scheme**

**Effective from: 26 September 2024**

**Issued on 26 September 2024**



## 1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustee of the Aker Solutions DC Pension Scheme.

It sets out our policies on various matters governing investment decisions for the Aker Solutions DC Pension Scheme (“the Scheme”), which is a Defined Contribution (“DC”) Scheme.

This SIP replaces the previous SIP dated 19 September 2019.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer, Aker Solutions Ltd (the “Company”) in producing this SIP.

The Scheme’s assets are held in trust by the Trustee. The investment powers of the Trustee are set out in Rule 18 of the Scheme’s Trust Deed.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy or in the demographic profile of the members invested in the DC default investment option and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme’s investments, but which are not required to be included in the SIP.

## 2. Investment objectives

The Scheme provides benefits on a defined contribution (also called “money purchase”) basis. In simple terms this means that the company and the member both pay contributions at agreed rates into the member’s pot within the Scheme. The assets of the Scheme are then invested by the Trustee to grow the pot and provide benefits for the member at retirement.

A member’s benefits at retirement depend upon the returns achieved on the contributions paid in over the period of in-service membership.

Our objective for the Scheme is to provide members with access to:

- an appropriate choice of assets for investment, reflecting the age and membership profile to allow members to grow their portfolio during their working life and to de-risk the investment strategy so that it is ultimately appropriate for the range of ways that members can draw their benefits in retirement so that the investment strategy is appropriate for transfer into a range of retirement products; and
- a **default investment option** that we believe to be reasonable for those members that do not wish to control their investments as described above. The objective of the default is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch gradually to a lower risk investment strategy as members approach retirement.

### 3. Investment strategy

With the help of our advisers and in consultation with the employer, we reviewed the investment strategy for the Scheme in February 2022, considering the objectives described in Section 2.

We make available a range of investment funds for members with different levels of expected return, including equity and bond based funds as well as a cash fund. Each member is responsible for specifying one or more funds for the investment of their account.

If a member does not choose an investment option, their account will be invested into the **default option**, the Aegon BlackRock Target Date Fund range known as “LifePath” where BlackRock will combine investments in proportions that vary according to the proximity to retirement age. The default initially invests to target a high expected return (making use of equity based funds) and then gradually switches to investments with a lower expected return and risk (such as a cash fund) as members get close to retirement.

The default option has been carefully chosen so that it is in the best interests of a “typical” member based on the demographics of the Scheme’s membership. The default option targets drawdown at retirement, since based on analysis of the membership we believe that most members will wish to take their benefits in this form.

The Trustee also operates a legacy default arrangement as there are some members invested in BlackRock’s old LifePath Target Date Fund range that was previously used as the Scheme’s default arrangement. As part of the review of the investment strategy, we agreed to leave members with less than 10 years to retirement in this range. Whilst closed to new member investment, members invested in these investment strategies at the time of closure are able to continue to contribute to these strategies. As members did not make a choice to invest in this strategy, the old LifePath arrangement also continues to be considered a default by the Trustee for the purpose of fulfilling legislative requirements

We monitor member behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

### 4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme’s assets, it is our policy to consider a wide range of asset classes for investment, taking account of the expected returns and risks associated with those asset classes, as well as how these risks can be

mitigated where appropriate, and our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. For the Scheme, investment risk is measured as standard deviation. Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In determining the investment arrangements it is our policy to consider:

- the overall best interests of members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards, and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default option made available to members, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members’ retirement or any other timeframe which the Trustee believes to be appropriate; and
- the Trustee’s investment beliefs about how investment markets work and which factors are more likely to impact investment outcomes.

We also consider any other factors which we believe to be financially material over the applicable time horizons, including environmental, social and governance (“ESG”) factors and the risks and opportunities relating to climate change.

Our policy regarding investments in illiquid assets in the default option is set out below. Illiquid assets means assets that can’t be easily or quickly be sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

Investments in the default option do not currently include ‘illiquid assets’ (i.e., investments which may not be easily or quickly sold or exchanged for cash).

We believe that long-term net risk-adjusted investment returns may be improved by investing in illiquid assets. However, illiquid assets in DC pension schemes is a relatively new and developing area. Therefore, currently, it is our policy not to invest the default option in illiquid assets. However, we understand that Aegon is considering investments in illiquid assets as part of its regular reviews of the LifePath strategy, the default in the Scheme.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term.

## 5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with a DC platform provider, Aegon, setting out in detail the terms on which the portfolios are to be managed. Aegon makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying managers of the DC investment funds.

Details of the investment managers are set out in the separate addendum.

We have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. If a manager is not meeting its performance objectives, we will consider alternative arrangements. Generally, we would be unlikely to terminate a mandate on short-term performance grounds alone.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

## 6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

Our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

## 7. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and from time to time review how the managers are taking account of these issues in practice.

All of the Scheme's assets are held in pooled funds. We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

The Scheme's default investment option, the LifePath Flexi Fund range, considers investment options that give increased weight to ESG factors, and the investment manager has recently increased the ESG exposure within the fund range.

We do not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

We recognise that some members may wish for ESG matters to be considered in their investments and therefore have made available the BlackRock World ESG Equity Tracker Fund and the Aker Responsible Investment Active Equity Fund as investment options to members.

## 8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or

potential conflicts of interest, risks and ESG factors. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As all of our investments are held through managers or pooled funds we do not monitor or engage directly with issuers or other holders of debt or equity.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers each year and also confirm our more general expectations in relation to ESG factors, voting and engagement.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.