Belden (UK) Pension Plan

Statement of Investment Principles

September 2020

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Section 1: Introduction

Pensions acts

1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustees are required to prepare a statement of the principles governing investment decisions. This statement describes the investment principles pursued by the Trustees of the Belden (UK) Pension Plan ("the Plan") and fulfils that requirement.

1.2 The Trustees have consulted Belden UK Limited ("the Company") on the principles set out in this statement and will consult the Company on any changes to it. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

1.3 Before drawing up this statement, the Trustees obtained and considered written advice from the Plan's investment consultants (currently Towers Watson Limited). The Trustees will review this document regularly, at least once every three years, and without delay following a significant change in investment policy. Before preparing this document the Trustees have had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustees will consider those requirements on any review of this document or any change in their investment policy. The Trustees will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.4 In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Plan competently.

Plan details

1.5 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

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Section 2: Division of responsibilities

2.1 The Trustees have ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees may delegate some of these responsibilities.

Trustees

2.2 The Trustees' responsibilities include:

- Reviewing the content of this statement regularly, in conjunction with the investment consultants and the Scheme Actuary, and modifying it if deemed appropriate.
- Reviewing the investment policy following the results of each actuarial review and/or investment strategy review.
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of the investment results and other information, such as meetings with the Investment Manager(s) and written reports.
- Appointing (and dismissing) investment manager(s).
- Consulting with the Company when considering any amendment to this statement.
- Monitoring compliance of the investment arrangements with this statement on an ongoing basis.
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments.

2.3 Decisions affecting the Fund's investment strategy should be taken with appropriate advice from the investment consultant and Actuary and other advisers as appropriate.

2.4 The Trustees are satisfied that it has sufficient expertise and appropriate training to evaluate critically the advice it receives. The Trustees are also satisfied that they have an appropriate set of skills individually and collectively, and the right structures and processes, to carry out this role effectively.

2.5 Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Plan. The Trustees draw on the skills and expertise of external advisers including the investment managers, custodians, investment consultant and the Actuary.

2.6 The Trustees are aware that it has the flexibility to open the contracts for actuarial services and investment advice to separate competition. The Trustees will review the providers as appropriate.

2.7 In view of the high level of support and advice given to the Trustees by the Company, the Trustees have decided that it is inappropriate for the functions related to investment matters to be delegated to an investment sub-committee. The Trustees will also receive investment advice from their independent investment consultant.

2.8 In light of the Myners Code, the Trustees have previously considered the issue of remuneration for serving Trustees. At the present time it has been decided that the Trustees should not receive compensation, although this arrangement will be reviewed from time to time as the Plan's requirements develop and in conjunction with the Company.

Investment managers

2.9 The investment manager's responsibilities include:

- Discretionary management of the portfolio, including implementation (within guidelines given by the Trustees) of changes in the asset mix and selecting securities within each asset class.
- Providing the Trustees with a quarterly report on actions and future intentions, and any changes to the processes applied to the portfolio.
- Informing the Trustees of any changes in the internal objectives and guidelines of any pooled funds used by the Plan as soon as practicable.
- The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Plan.

2.10 The investment manager also appoints a custodian, whose responsibilities include:

- the safekeeping of all the assets of the Plan;
- undertaking all appropriate administration relating to the Plan's assets;
- processing tax reclaims in a timely manner.

Investment consultant

2.11 The investment consultant's responsibilities include:

- Participating with the Trustees in regular reviews of this statement.
- Advising the Trustees as requested:
  - through consultation with the scheme actuary on how any changes in benefits, membership and funding position may affect the manner in which the assets should be invested;
  - on how any changes at the investment manager(s) could affect the interests of the Plan;
  - on how any changes in the investment environment could either present opportunities or problems for the Plan.
- Undertaking project work as requested, including:
  - reviews of asset allocation policy;
  - reviews of the investment managers.
- Advising on the selection of new managers and/or custodians.
- Commentary on investment performance and risk taken by the managers.

- Trustee education.
- General advice in respect of the Fund's investment activities.

Scheme Actuary

2.12 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Plan and advising on the appropriate contribution levels for the future.
- Assessing the funding position of the Plan against all statutory funding requirements and advising on the appropriate response to any shortfall.
- Liaising with the investment consultant on the suitability of the Plan's investment strategy given the financial characteristics of the Plan.

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Section 3: Objectives and long-term policy

Objectives

3.1 The Trustees aim to maintain the ongoing solvency of the Plan by minimising the risk that the Plan's funding level, on the chosen funding basis, falls below 100%, whilst managing the level and the volatility of the cost of the Plan to the Company.

Policy

3.2 The policy of the Trustees is to seek to achieve the objectives through investing in a diversified portfolio of real assets (such as equities) and monetary assets (such as bonds and cash). The Trustees recognise that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. Index-linked gilts, while linked to inflation, tend to produce returns that over the long term are similar in level and volatility to monetary assets. The Trustees' expectation is that a mixture across asset classes should, nevertheless, provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the Trustees and an acceptable level of cost to the Company.

3.3 Following an investment strategy review conducted in August 2017, the Trustees decided to adopt separate strategies for the Final Salary and Cash Balance sections to better reflect the nature of the benefits provided by each section as follows:

a A notional share of the Plan's assets attributable to the Cash Balance Section will be invested with the aim to achieve returns broadly equivalent to the Investment Credits that are added to Cash Balance Members' Cash Balance Accounts over the long term.

b The remainder of the Plan's assets attributable to the Final Salary Section will be invested with the aim provide the level of returns required by the Plan to meet its Final Salary liabilities at an acceptable level of risk for the Trustees.

The notional allocation of assets to each strategy will be reviewed on a regular basis to reflect the relative values placed on the liabilities under each section.

3.4 The use of pooled funds managed on a passive (ie; index-tracking) basis not only provides broad diversification within each sector of investment, but also minimises the impact of poor performance on the part of any one company on the overall performance of the Plan assets and reduces the volatility of the investment returns relative to the benchmark. The use of multi-asset diversified growth funds provides further diversification across sectors of investment.

3.5 Having taken appropriate actuarial advice, the Trustees are of the opinion that the initial combined asset allocation detailed in 4.1 is appropriate in the current circumstances, but will be reviewed regularly.

3.6 When reviewing the investment strategy, the Trustees have regard to the sustainable investment principles outlined in Section 5 of this document.

3.7 The appointment of the investment managers will be reviewed by the Trustees from time to time, based on the results of their monitoring of performance and investment process, the Trustees' confidence in the investment manager continuing to fulfill their mandate in the future and of the investment manager's compliance with the requirement in the Pensions Act concerning diversification and suitability, where relevant.

3.8 It is expected that review meetings will be held with the investment manager, as required.

Expected return on investments

3.9 In setting the Plan's asset allocation policy, the Trustees aim for the returns on investment to enable the Plan to meet the benefit provisions to members, whilst managing the risk of a reduction in the level of benefit security. For this purpose, the Trustees have regard to the historical rates of return earned on the various classes of assets available for investment, and the corresponding volatility of such returns.

3.10 The relative risks and returns of different classes of investment are reviewed at intervals by the Trustees.

Additional voluntary contributions

3.11 The Plan permits Members to provide additional benefits for themselves by paying additional voluntary contributions ("AVCs").

3.12 Contributions with respect to AVC contracts entered into prior to 1 November 2000 accumulated in the form of additional years of pensionable service. These contributions are invested in the same manner as normal employee and employer contributions to the Plan.

3.13 Contributions with respect to AVC contracts entered into after 31 October 2000 are invested at the direction of the members in a range of pooled passively managed funds. The Trustees have selected a range of funds with Legal and General which will provide an appropriate choice for members. The range of funds offered includes UK and global equities, an index-linked gilt fund and a cash fund.

Section 4: Asset allocation guidelines

Benchmark

4.1 The Plan's assets are invested with Legal and General Assurance (Pensions Management) Limited which has been instructed to invest Plan assets in pooled funds managed on a passive (ie; index-tracking) basis. The use of a single passive manager for all invested assets was determined following consideration of the relative levels of risk involved and governance requirements, set against the efficiency, liquidity and level of transaction costs likely to prevail within each market, allowing for investment manager fees.

4.2 The benchmark allocation is shown below:

Asset class	Fund ("PF Section")	Performance Benchmark	Benchmark allocation %	Ranges %
Diversified growth fund	Diversified Fund	FTSE Developed World Index (50% hedged to GBP)[1]	30.0	+3.5 / -2.5
UK index linked gilts	Over 5 year Index-Linked Gilts Index Fund	FTSE A Govt Index-Linked (over 5 year)	50.0	+2.5 / -3.5
UK corporate bonds	AAA-AA-A Corporate Bond – Over 15 Year – Index Fund	Markit iBoxx £ Non-Gilt (xBBB) Over 15 Year	20.0	+1.5 / -2.5
Total			**100.0**	

4.3 In addition to the above the Plan will hold assets in cash from time to time as may be deemed appropriate.

4.4 Unless specified otherwise in the Investment Manager Agreement, asset categories not included here may only be used following agreement by the Trustees.

Performance objectives

4.5 The Legal and General pooled funds have divergence limits relative to the performance benchmark that are set in the light of the approximations involved in index construction and selection in the various asset classes being managed.

[1] The Diversified Fund's performance is compared against the FTSE Developed World Index (50% hedged to GBP), because the long-term expected rate of return of the Fund is broadly similar to that of a developed market equity fund. The diversified nature of the Fund means that it is expected to have less exposure than a pure equity fund to adverse equity market conditions. However, the Fund may perform less strongly than a pure equity fund in benign or positive market conditions.

Fee structures

4.6 An amount is deducted based on the average offer value of the holding during the quarter, as follows:

	LGIM DGF	Over 5 Year Index-Linked Gilts Index Fund	AAA-AA-A Corporate Bond – Over 15 Year – Index Fund
£0m to £5m		0.100% pa	0.150% pa
£5m to £10m		0.075% pa	0.125% pa
£10m to £15m			
£15m to £20m	0.180% pa[1]	0.050% pa	0.100% pa
£20m to £30m			
£30m to £50m		0.030% pa	0.08% pa
Above £50m			

An additional management fee applies if total invested assets are less than £25 million.

Diversification

4.7 The Plan’s asset allocation (see 4.1 above) is designed to ensure that the Plan's investments are adequately diversified by asset class, subject to the overriding objective of limiting the risk of the funding level worsening. Since the Plan is invested in pooled funds, the Trustees cannot influence directly the concentration of investments at a stock selection level.

Suitability

4.8 The Trustees have taken advice from the Actuary and the investment consultants to ensure that the asset allocation specified above is suitable for the Plan given its liability profile.

Liquidity

4.9 The Trustees, together with the Plan’s administrators, will ensure that they hold sufficient cash to meet the likely benefit outflows from time to time. The Trustees’ policy is that there should be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Plan's overall investment policy.

[1] Discounted fee conditional upon the Plan remaining a client of Towers Watson Limited. Regular fees are 0.300% pa.

Section 5: Other investment policies

The Trustees also face other requirements relating to investment, be they legislative or considered best practice.

Choosing investments

5.1 The Trustees have appointed investment managers who are authorised under Financial Services and Markets Act 2000 to undertake investment business. After gaining (and, at most, annually reconfirming) appropriate investment advice, the Trustees have specified the asset allocation of every manager. Investment choice has been delegated to the managers subject to defined tolerances relative to their respective benchmarks.

5.2 In this context, investment advice is defined by Section 36 of Pensions Act 1995 (as amended).

Manager structure

5.3 The assets are entirely passively managed and invested in Legal & General's pooled funds. The Trustees' policy is to obtain ongoing and regular advice on whether these funds are satisfactory as required by the Pensions Act.

5.4 The Trustees have also selected Legal & General as the provider for members' AVC investments. Legal & General's appointment will also be kept under regular review.

Investment restrictions

5.5 The Trustees have not imposed any additional investment restrictions on the Investment Managers, beyond those contained in the Investment Manager's standard contract.

Socially responsible investing and sustainability

5.6 The Trustees consider long-term sustainability to be an important and relevant issue to consider throughout the investment process.

5.7 In particular the Trustees recognise that an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG).

5.8 The Trustees therefore believe that ESG considerations are important aspects of responsible financial risk management in order to protect and enhance the value of investments and should improve long-term outcomes.

5.9 The Trustees invest the assets of the Plan on an index-tracking basis. As a result, the Plan cannot directly take account of social, environmental or ethical considerations in the selection, retention and realisation of individual investments.

5.10 The Trustees have delegated the responsibility of considering day to day ESG integration to the Investment Manager and encourage them to document how they are progressing ESG issues. See also sections 5.15 and 5.16.

5.11 The Trustees and the Investment Manager do not explicitly take into account the views of Plan members and beneficiaries in relation to ESG and other non-financial matters.

Realisation of assets

5.12 The majority of stocks held by the Plan's Investment Manager are quoted on major stock markets and may be realised quickly if required.

Stewardship and rights attaching to investments

5.13 The Trustees recognise the importance of good corporate governance and has considered its responsibilities as an institutional shareholder in the context of the investment principles set out in the Stewardship Code.

5.14 The policy of the Trustees is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager. The Trustees expects the investment manager to comply with the Stewardship Code, or to explain the reasons why it does not do so.

5.15 The Trustees delegate primary responsibility for their corporate engagement activities to their investment managers. The Trustees believe that the investment managers are best placed to engage with investee companies on their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. However, on occasions, the Trustees may deem it necessary to engage directly with companies on particular ESG-related issues.

5.16 There may be occasions when engagement topics identified by the Trustees overlap with engagement efforts of their investment managers, in which case the Trustees will seek to undertake joint engagement activities with their investment managers.

Policy in relation to the Trustees' arrangement with any asset manager

5.17 The Plan uses many different managers and mandates to implement its investment policies. The Trustees ensure that, in aggregate, their portfolio is consistent with the policies set out in this statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustees will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with their policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustees will use their discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustees' policies, where relevant to the mandate.

5.18 To maintain alignment, managers are provided with the most recent version of the Plan's statement of investment principles on an annual basis and are requested to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.

5.19 Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

5.20 For most of the Plan's investments, the Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

5.21 The Trustees appoint their investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

5.22 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

5.23 The Trustees review the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Section 6: Risk management

6.1 The Trustees recognise a number of risks involved in the investment of the assets of the Plan:

- Solvency risk and mismatching risk
  - are measured through regular assessments of the expected development of the assets relative to the liabilities under current and alternative investment policies;
  - are managed through the choice of the benchmark asset allocation and regular reviews of investment strategy.
- Manager risk
  - is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy;
  - is managed through the ongoing monitoring of the performance of the investment manager as well as a number of qualitative factors supporting the manager's investment process.
- Liquidity risk
  - is measured by the level of cashflow required by the Plan over a specified period;
  - is managed by the Plan's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Currency risk
  - is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values;
  - is monitored taking into account the global business that the Company is engaged in.
- Custodial risk
  - is measured by assessing the credit-worthiness of the custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody;
  - is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- Political risk
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention;
  - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

- Sponsor risk
  - is measured by the level of ability and willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit;
  - is managed by assessing the interaction between the Plan and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

6.2 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target.

6.3 The Trustees continue to monitor these risks and maintain a register of risks that the Plan faces, which is reviewed regularly.

Section 7: Compliance

The Plan's statement of investment principles and annual report and accounts are available to members on request.

A copy of the Plan's current statement of investment principles is also supplied to the Sponsoring Employer, the Plan's investment managers, the Plan's auditors and the Plan's actuary.

This statement of investment principles supersedes all others and was adopted by the Trustees of Belden (UK) Pension Plan on 29 September 2020.