Statement of Investment Principles (SOIP)

This is the Statement of Investment Principles (the "Statement") made by the Trustee of the Agfa UK Group Pension Plan ("the Plan") in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee in July 2023 is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the employer to the Plan (Agfa-Gevaert NV) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Plan is a defined benefit plan which closed to new members on 30 June 2002 and to further accruals on 1 January 2010.

The Trustee is aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code

Plan objective

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustee's over-riding funding principles for the Plan are to set the employer contribution at a level which is sufficient:

- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For employee members, benefits are based on service completed but take account of future salary increases. The value of liabilities is calculated on the basis agreed by the Trustee and Sponsor with advice taken from the Plan Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Plan holds the majority of assets within two insurance solutions managed by Standard Life (previously Phoenix Life). The majority of the Plan's liabilities are secured by these matching assets.

The Plan's assets outside of the insurance policies are held in a low-risk strategy which hedges the remaining liabilities (linked to GMP-equalisation) by investing in fully funded LDI funds and protects the remaining expense reserve by investing in a cash fund. The investment strategy for these assets is summarised in the Appendix.

The Trustee monitors the performance of Plan investments relative to agreed criteria on a regular basis.

The Trustee has delegated all day to day investment decisions to authorised investment managers and insurers.

Choosing investments

The Trustee has appointed the insurance provider Standard Life (previously Phoenix Life), to manage two insurance policies which secure the majority of the Plan's liabilities.

The Trustee has appointed an investment manager, Insight, to manage the Plan's remaining investments, which are held in highly liquid funds.

The investment manager is authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustee, after taking appropriate advice, has given the investment managers specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. The investment managers are allowed some flexibility of choice subject to their benchmarks and other guidelines and are expected to maintain diversified portfolios.

The Trustee has also decided to invest in a number of individual pooled funds. The Trustee is satisfied that the pooled funds selected are consistent with the objectives of the Plan, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee reviews the assets on a regular basis.

If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification before investment.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set as a percentage of assets under management. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. Given the nature of the remaining assets, the Trustee does not routinely conduct a review of the fees paid to their manager against industry standards, but is mindful of this and will review from time to time as required.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated, although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

For closed ended investments (such as the insurance policies) the duration of the allocation is expected to be the lifetime of the investment.

Kinds of investment to be held

The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds.

The Plan may also make use of contracts of insurance, derivatives and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Plan.

Balance between different kinds of investments

The Plan's investment manager will hold a mix of investments which reflect their views relative to their respective benchmarks or return targets. Within each major market the manager will maintain a diversified portfolio of stocks.

The majority of the Plan's assets are now held in insurance policies which secure the majority of Plan liabilities. As such, the Trustee accepts that the principles of balance between investments are only applicable to the remaining assets i.e. those not connected to the insurance policies.

Risk

The Plan is exposed to a number of risks which pose a threat to the Plan meeting its objectives. The principal risks affecting the Plan are:

Funding risks

The Trustee has entered into insurance contracts which secure the majority of the Plan's liabilities. Under the policies, the insurer makes monthly payments to the Plan, sufficient to cover the routine benefit payments to members. The insurers carry the risk of longevity for members as well as the investment risks for this proportion of the Plan's assets.

All members covered by the insurance contracts continue to be members of the Plan, and the Trustee continues to have ultimate responsibility for the payment of benefits to these members.

Given the insurance contracts in place and the low-risk investment strategy for the remaining Plan assets, the Trustee's focus is on the risks associated with ongoing cashflow management for the Plan. In particular, the Trustee has considered the Plan's sensitivity to:

- Liquidity – The risk that Plan assets are not sufficiently liquid to meet ongoing payments and expenses.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Plan's liabilities.

The Trustee expects the insurance contracts to immunise the plan from market risks such as credit, interest rate, inflation, and longevity risk, for those liabilities that are covered by the insurance contracts.

The Trustee expects the insurance provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payments of benefits from the insurance provider to the Plan.

Asset risks

In respect of the remaining assets, not held in insurance contracts, the Trustee considers the below as key asset risks facing the Plan:

- Concentration - The risk that a significant allocation to any single asset category, and its underperformance relative to expectation, would result in difficulties in achieving the funding objectives.
- Illiquidity - The risk that the Plan cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making, leading to underperformance relative to expectations. A list of example ESG factors that the Trustee considers is provided in the appendix.

- Climate risk – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts, and the expected transition to a low-carbon economy.

The Trustee accepts that management of these risks is limited by the size and nature of the remaining assets however the Trustee aims to manage these risks as far as possible.

The Trustee provides a practical constraint on Plan investments deviating greatly from the intended approach by investing in investment mandates which have a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers.

- Custody risk - The risk of losing economic rights to Plan assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Plan, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.

Expected return on investments

The Plan's remaining assets (ie. those not held in insurance policies) are partially held in fully-funded 100% hedged LDI funds. These assets are expected to match the remaining liabilities linked to GMP-equalisation. The remainder of the Plan's assets are invested in a cash fund, with a small balance retained in the Trustee bank account, for the purpose of liquidity management and meeting expenses. The Trustee expects this cash fund to deliver investment returns broadly consistent with the prevailing short-term interest rates.

Realisation of investments

The Plan's remaining assets (ie. those not held in insurance policies) are held in highly liquid funds and may be realised quickly if required.

The insurance contracts are illiquid. This is recognised by the Trustee as they are not expected to be sold in the future.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate. The Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and any material changes in holdings over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if it seems excessive. The Trustee is mindful of turnover costs and will request information on these from the asset manager when appropriate.

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors, is relevant at different stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others.

The Trustee will consider such factors in determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow it to do so systematically. Where there is not sufficient data or evidence, the Trustee will require that its managers take such considerations into account within their decision making.

Strategic considerations

The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustee periodically discusses climate change with its investment adviser/manager to consider the potential implications for the Plan's investments.

Structural considerations

The Trustee expects that their investment manager and insurer will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting investment managers

The Trustee has delegated responsibility for the consideration of stock specific issues to their investment manager. The Trustee are satisfied that the investment manager is following an approach which takes account of all financially material factors.

In selecting new investment managers for the Plan, where relevant to the investment mandate, the Trustee will explicitly consider potential managers' approaches to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

The Trustee expects the Investment Adviser to provide input and analysis to assist the Trustee in assessing the investment managers' performance. The Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process and request that the manager takes appropriate action. This may include concerns over performance, risk management, stewardship practices, investment process and operational issues and, where such concerns are raised, the Trustee will require the manager to demonstrate levels of improvement. Failure to achieve the desired improvements may result in the mandate being reduced or terminated.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Plan, the Trustee has not considered any non-financially material factors in the development and implementation of their investment strategy.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. Given the nature of the Plan's remaining assets, not held in insurance contracts, the Trustee recognises that opportunities for issuer engagement may be limited.

Voting and engagement

The Plan no longer invests in equity and therefore the scope for voting and engagement is significantly reduced.

However, Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects investment managers to comply with the code and to produce a statement of their commitment to the code.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by their investment manager as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the manager which includes consideration of the capital structure of investments and the appropriateness of any investment made.

The Trustee considers any conflicts of interest arising in the management of the Plan and ensures the manager has an appropriate conflicts of interest policy in place. The manager is required to disclose any potential or actual conflict of interest in writing to the Trustee.

Monitoring

The Trustee aims to meet with their investment manager on an annual basis. The Trustee provides their manager with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. The manager is challenged both directly by the Trustee and by their investment adviser on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

The Trustee separately considers any conflicts of interest arising in the management of the Plan and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

Signed for and on Behalf of the Trustee of the Agfa UK Group Pension Plan

Bert Heylen	Laurence Roberts
Trustee	Trustee
7 August 2023	8 August 2023
Date	Date

Appendix:

Manager benchmarks and performance targets

Manager / Mandate	Benchmark Description	Performance Target	Target allocation
Insight LDI	Composite Benchmark	Match benchmark	100%
Insight Liquidity Fund	SONIA	-	