

## **DIODES ZETEX PENSION SCHEME**

### **STATEMENT OF INVESTMENT PRINCIPLES As at August 2025**

This statement is made by the Trustees of the Scheme for the purposes of and in accordance with Regulation 23 of the Occupational Pension Scheme Regulations (Scheme Administration) 1996 (the 'Regulations') as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 plus the Occupational Pension Schemes (Governance)(Amendment) Regulations 2018 and the Occupational Pension Schemes (Disclosure)(Amendment) Regulations 2019. The statement is intended to describe the general approach of the Trustees to investment matters as they impact on the Scheme. As such, the statement might require amendment as general investment conditions alter and as the liabilities of the Scheme change over time. The Trustees will review this statement at least every three years or after a significant change in investment policy, and when they deem it necessary will revise this statement, after consultation with the employer.

The Scheme has two sections: a Final Salary ('DB') section and a Defined Contribution ('DC') section. This statement covers both sections of the Scheme.

#### **The DB Section**

The principles outlined in this section of the Statement of Investment Principles became effective following the delegation of certain decision-making powers by the Trustees to their fiduciary manager, Aon Investments Limited ('AIL'). The Trustees have taken advice from their investment adviser, Aon Investments Limited ('Aon'), regarding the suitability of AIL in this capacity.

#### **INVESTMENT OBJECTIVE**

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the return on liabilities while maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustees have set an investment strategy which targets to outperform the current benchmark by 2.0% per annum, over rolling three-year periods.

#### **STRATEGY**

The initial investment objective will be to achieve a return of 2.0% p.a. in excess of the liabilities. AIL will invest the assets in an appropriate way to meet this investment objectives (e.g. an appropriate split between the Liability Matching and Growth portfolios).

There is no formal rebalancing in place, and so the asset allocation may vary over time due to market movements.

The Liability Matching Portfolio aims to take into account the movement in the underlying value of the Scheme's liabilities, and the Growth Portfolio is affected by market prices of a broad range of asset classes.

The asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. When choosing the Scheme's planned asset allocation strategy, the Trustees considered written advice from their investment adviser, and in doing so, addressed the following:

- The need to consider a full range of asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class; and
- The need for appropriate diversification.

## **RISK**

The Trustees recognise that the key risk to the Scheme 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 Scheme'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 Scheme's immediate liabilities ('cash flow risk'). The Trustees and their advisers will manage the Scheme's cash flows, taking into account the timing of future payments in order to minimise the probability of this occurring.
- The failure by the investment managers chosen by AIL to achieve the rate of investment return assumed by the Trustees ('manager risk'). This risk is considered by the Trustees and AIL both on the initial appointment of the investment managers and on an ongoing basis thereafter.
- The failure to spread investment risk ('risk of lack of diversification'). The Trustees have delegated this decision to AIL. This risk was considered by the Trustees and their advisers when setting the Scheme's investment strategy. AIL also considers this risk when implementing the strategy.
- The possibility of failure of the Scheme'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 inter-related 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. This will normally be done triennially. Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustees to monitor some of the key risks, they will receive quarterly reports which will include information such as:

- Progress of the estimated funding level over the quarter.
- Performance versus the estimated growth in the Scheme's liabilities.
- Any significant issues that may impact the investment manager's ability to meet the performance target set by the Trustees.

### **Environmental, Social, and Governance Considerations**

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the assets in which the Scheme invests.

The Trustees further acknowledge that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the Scheme's underlying investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal, ethical, or moral judgments to these issues, but should consider the sustainability of business models that are influenced by them.

### **Members' Views and Non-Financial Factors**

The Trustees do not specifically take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non- financial factors' in the 2018 Regulations). The Trustees will review their policy towards this on at least a triennial basis.

### **Arrangements with Asset Managers**

The Trustees have appointed AIL as their Fiduciary Manager (the "Fiduciary Manager"), who they consider to be their asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which AIL in turn appoints to manage investment on behalf of the Trustees.

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 the Fiduciary Manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive regular reports and verbal updates from the Fiduciary Manager 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 Scheme's objectives, 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 their Fiduciary Manager, which supports the Trustees in

determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Scheme's Fiduciary Manager 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 Fiduciary Manager. The Fiduciary Manager monitors the Scheme'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 Scheme.

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.

Before appointment of a new Fiduciary Manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where necessary, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at Trustees' meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the Fiduciary Manager, and regular monitoring of the Fiduciary Manager's performance and investment strategy, is sufficient to incentivise the Fiduciary Manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the Fiduciary Manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically engage with the Fiduciary Manager to understand the circumstances and materiality of the decisions made.

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

### **Cost Monitoring**

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 Scheme'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 their Fiduciary Manager. 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 Scheme;
- The fees paid to the Fiduciary Manager;
- The fees paid to the investment managers appointed by the Fiduciary Manager;

- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Fiduciary Manager;
  - 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 Scheme.

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. The Fiduciary Manager 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 the Fiduciary Manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the Fiduciary Manager 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 their Fiduciary Manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the Fiduciary Manager and fees incurred by third parties appointed by the Fiduciary Manager are provided annually by the Fiduciary Manager to the Trustees. This cost information is set out alongside the performance of the Fiduciary Manager to provide context. The Trustees monitor these costs and performance trends over time.

### **Stewardship – Voting and Engagement**

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees have delegated all voting and engagement activities to the Scheme's underlying asset managers, via their Fiduciary Manager. The Trustees accept responsibility for how the underlying asset managers steward assets on their behalf, including the casting of votes in line with each underlying asset manager's individual voting policies. The Trustees rely on the Fiduciary Manager to review manager voting and engagement policies and activities on an annual basis. The Fiduciary Manager reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustees', and therefore the members', best interests.

As part of the Fiduciary Manager's management of the Scheme's assets, the Trustee expects the Fiduciary Manager to:

- Monitor and engage with underlying asset managers, including prospective underlying asset managers, on the extent to which they exercise voting rights (where appropriate) in relation to the Scheme's assets; and
- Report to the Trustees on stewardship activity by underlying asset managers as required.

Underlying asset managers are expected to vote at company meetings and engage with companies on the Trustees' behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme's assets, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the underlying asset manager. Where voting is concerned, the Trustees expect the underlying asset managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees will engage with their Fiduciary Manager, who in turn is able to engage with underlying asset managers 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. This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned. This will take the form of annual reporting and follow up meetings, where necessary, from the Fiduciary Manager. Such reporting will be made available to Scheme members on request.

Should the Trustees' monitoring process reveal that an underlying asset manager's voting and engagement policies and actions are not aligned with the Trustees' expectations, the Trustees will engage with the Fiduciary Manager, via different medium such as emails and meetings, to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

## **The DC Section**

### **Investment Objectives**

The Trustees have discussed key investment objectives in light of an analysis of the Scheme's membership profile (for the DC Section), as well as the constraints the Trustees face in achieving these objectives.

The Trustees' main investment objectives for the DC Section are:

- to provide a suitable default 'lifestyle' investment option that is likely to be suitable for a typical member of the DC Section;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots; and
- to reduce the risk of the assets failing to meet projected retirement income levels.

Within the DC Section, the Trustees are responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

### **Choosing Investments**

The Trustees' policy for the DC Section is to offer a default investment arrangement suitable for the Scheme's membership profile plus a core range of investment funds into which members can choose to invest their contributions. The funds available include both active and passive funds. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendices to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

The Trustees review the appropriateness of the Scheme's DC investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the DC investment strategy.

### **Kinds of Investments to be Held**

The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, and alternatives.

The majority of the Funds are passive (index-tracking) and are expected to deliver returns in line with the relevant market index before fees. The Cash Fund is expected to deliver returns in line with the 7 Day LIBID, without incurring excessive risk. The Property Fund is expected to outperform the AREF/IPD UK Quarterly All Balanced Property Funds Index over three- and five-year periods.

### **The Balance Between Different Kinds of Investments**

DC Section members can choose to invest in any of the funds detailed in Appendix 2 or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions and those made on their behalf by the employer are invested, the Trustees

will invest these contributions according to the default investment strategy set out in Appendix 2.

The Trustees consider the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.

The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation of the DC Section may change as the membership profile evolves.

## **Risks**

For the DC Section, investment risk lies with the members themselves. However, the Trustees have considered the following risks when making available suitable investment choices:

- **Inflation risk** - The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
- **Liquidity risk** - The risk that members cannot access investments quickly or incur costs of selling assets. The Trustees offer funds that are daily dealt to offer a high level of liquidity.
- **Conversion risk** - The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangement made available to members (see Appendix 2), the Trustee increases the proportion of assets that more closely match how they expect members to access their retirement savings.
- **Retirement income risk** - The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustees periodically review the appropriateness of the fund range offered to members to ensure member outcomes can be maximised, whilst providing communication to members from time to time explaining the importance of the level of contributions.
- **Investment manager risk** - The Trustees monitor the performance of the Scheme's investment manager on a regular basis in addition to having meetings with the manager from time to time as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how each investment manager may operate.
- **Concentration risk** - Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- **Currency risk** - The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
- **Loss of investment** - The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors, or fraud).

## **Expected Return on Investments**

The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisers on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities appropriate for different stages of the lifestyle profile.

Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions. The Trustees meet the Scheme's investment managers as frequently as is appropriate, in order to review performance.

## **Realisation of Investments**

The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

## **Environmental, Social and Governance Factors, Engagement and Voting Rights**

### **Overview of Trustees' policy**

The Trustees believe that environmental, social and governance ('ESG') factors, including climate change, are potentially financially material over the lifetime of the Scheme. However, these factors should be considered alongside other material factors, including but not limited to historical performance or fees.

The Trustees are cognisant that Scheme members have a long investment time horizon, and have considered the risks of ESG factors over the long-term.

The Trustees received training from their investment adviser and one of their investment managers on ESG factors. The Trustees considered the research findings presented at these training sessions when forming their views on the financial materiality of ESG factors as they apply to the Scheme's current investments.

### **ESG policies of investment managers**

As the Scheme's investments are held in pooled funds, ESG considerations are set by each of the investment managers.

The Trustees believe that ESG factors have the potential to be financially material to the risk-adjusted returns achieved by the Scheme's active fund holdings. These types of funds are actively managed to achieve their outperformance targets with low volatility, so the managers are therefore expected to consider all financially material considerations, including ESG factors, when managing the funds. Where the Trustees engage the services of an active manager, the Trustees will consider the manager's ability to assess ESG risks as part of the manager selection process. ESG risks will be considered alongside other material factors, including but not limited to historical performance and fees.

The Trustees will review the ESG policies of the Scheme's managers periodically to consider whether they remain appropriate. They will request ESG reports from managers regularly and ask them to comment on these when they present to the Trustees.

If any significant breach of ESG policy is identified, the Trustees may choose to replace the manager. However, failure in this area will not necessarily be sufficient reason for replacement, and will not necessarily take precedence over other factors.

The Trustees do not currently take into account members' views when selecting or realising their investments; however, they will keep this position under review.

### **Stewardship and engagement**

The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustees delegate the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.

The Trustees also delegate undertaking engagement activities with issuers of equity and debt, which include entering into discussions with company management on capital structure and corporate governance, to influence behaviour, to the investment managers. The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme.

The Trustees do not directly engage with other stakeholders, such as other investors, in relation to investee companies. However, within the pooled funds held, the investment managers will undertake engagement for the benefit of all investors.

The Trustees will monitor and engage with the investment managers in relation to stewardship activities as follows:

- The Trustees will request and review the stewardship policies, voting and engagement activities of the Scheme's investment managers on an annual basis. In case of any specific issues or questions being identified through this monitoring process, the Trustees will engage with the Scheme's investment managers for more information and discuss any remedial actions taken.
- The Trustees will also ask managers to attend meetings from time to time to present and discuss their stewardship activities, including details of any voting rights exercised and engagement activities.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

The Trustees will annually provide an implementation report detailing how the above policies have been followed.

The Trustees have reviewed the 2023 Stewardship Priorities set by LGIM and have decided to align these with the stewardship priorities for the Scheme. These priorities are People, Nature, Health, Technology, Governance and Climate. Following discussions and consideration of data and trends, the Trustees have agreed that the impact of these areas may be financially material for the Scheme. In addition, the Trustees expect their relevant asset managers will be able to evidence their stewardship activity in this area which the Trustees will monitor annually. For example, by considering the voting and engagement activity of the asset managers. Therefore, this is also an area which the Trustees believe they can meaningfully monitor progress and engage with their asset managers over time.

### **Conflicts of interest**

The Trustees expect their investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. This will be reviewed by the Trustees in order to manage the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

### **Manager arrangements**

The investment managers are appointed and retained based on a range of criteria set by the Trustees. This includes the managers' fund range and performance, fees, ESG and stewardship policies. The managers are not appointed for a set time period, but all factors are regularly reviewed and the manager can be replaced at any time if the Trustees' criteria is not met. This incentivises the managers to maintain, develop and communicate their approach.

The Trustees monitor performance of the invested funds quarterly, but focus on longer term performance trends over investment cycles. This incentivises the manager to consider all risks and engage with investee companies to improve performance over the long-term. The Trustees also monitor the managers' approach to Stewardship annually to check that this aligns with their agreed approach.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager through the Scheme's advisors.

The annual charges on the invested funds are a fixed percentage of the assets invested, and the majority of the funds are passive. There is no incentive for the managers to take additional risks to outperform their targets to achieve a higher fee. The managers need to maintain the expected level of performance and approach to investing in order to retain the Scheme's assets.

The Trustees ask their advisors to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered from time to time as markets develop.

The Trustees monitor portfolio turnover costs and the impact this has on any additional fees incurred over the annual management charges. This is monitored relative to the historic range of turnover costs for each fund.

### **Agreement**

The Trustees have arrangements for investment of AVCs with Standard Life in various funds of the members' choosing. The Trustees will review these providers from time to time to ensure that they continue to be appropriate.

## **In relation to both Sections (DB and DC):**

### **IMPLEMENTATION**

The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored investment managers through written contracts. When choosing investments, the Trustees and the investment managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (Regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

The Trustees consulted with the sponsoring employer when setting the strategies for both the defined benefit and defined contribution sections.

## **GOVERNANCE**

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When agreeing 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:

<p><b><u>Trustees</u></b> Set structures and processes for carrying out their role. Review actual returns versus the Scheme's investment objective. Select and review a suitable level of target return. Select and monitor Additional Voluntary Contribution ('AVC') direct investments (see Appendix 2) and investment managers. Report on AVC asset returns against objectives. Select and monitor the investment advisers and the delegated manager. Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated). Approve this document.</p>
<p><b><u>Investment Adviser</u></b> Advise on all aspects of the investment of the Scheme assets. Advise on this statement. Provide required training. Advise on the Liability Benchmark used by AIL.</p>
<p><b><u>Aon Investments Limited (the Fiduciary Manager)</u></b> Set the strategy for investing in different asset classes in line with the investment objective. Determine the strategy for selecting investment managers. Implement the investment strategy. Select and appoint investment managers. Monitor investment managers. Advise Trustees on the suitability of the indices in their benchmarks. Adjust asset allocations to reflect medium term market expectations. Report on asset returns against objectives. Communicate any significant changes to the investment arrangements. Operate within the terms of this statement and their written contracts. Monitor the funding level. Implement changes in the investment strategy in line with the flightplan. Communicate the progress of the flightplan quarterly. Report on asset performance against the liability benchmark.</p>

The Pensions Act 1995 distinguishes between investments where the management is delegated to an investment 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 its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. 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 investment manager.

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 investment managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives.

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the investment manager to manage the assets delegated to it under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The investment managers have appointed custodians for the safe custody of the assets held within their respective pooled funds in which the Scheme is invested. The custodians are responsible for the safekeeping of the assets held and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees will not invest more than 5% of the Scheme's assets in employer-related investments. Any such investment can only be justified by the expected return to the Scheme, which must be at least as good as could be produced by another comparable investment. Furthermore, the Trustees will not invest in any of the following employer-related investments in any magnitude:

- Loans to the employer;
- Guarantees over loans or other financial arrangements involving the employer and connected or associated people;
- Transactions at less than their normal market value; or
- Certain loan arrangements with third parties which involve the employer.

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.

Before making this Statement, the Trustees have obtained and considered written advice from the actuary and investment consultant that its contents are appropriate to the circumstances of the Scheme and have also consulted the Board of Diodes Zetex Limited. This statement was agreed by the Trustees, and replaces any previous statements.

This statement is published on the website:

<https://schemes.vidett.com/diodes-zetex-pension-scheme/>.

**DIODES ZETEX PENSION SCHEME**  
**Appendix to Statement of Investment Principles – DB Section**

This Appendix sets out the Trustees' current investment strategy and is supplementary to the Trustees' Statement of Investment Principles (the 'attached Statement').

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

**1 – Asset Allocation Strategy**

AIL will have discretion to invest the assets in an appropriate split between the Growth and Liability Matching portfolios to achieve the Scheme's investment objective.

**2 – The Portfolios**

**Growth Portfolio**

The Growth Portfolio is managed by the fiduciary manager, AIL. The following table shows the maximum exposure of the Growth Portfolio to each asset category, excluding cash, expressed as a percentage of the Growth Portfolio.

<b>Asset category / strategy</b> (For further explanation of the different asset categories / strategies, please refer to the notes below the table)	<b>Maximum [Growth Portfolio allocation]</b>
<b>Equity Strategies</b> The Trustee has selected the following option: Sophisticated Equity Focussed	75%
<b>Active Credit</b>	100%
<b>Liquid Alternatives</b> The Trustee has selected the following option: Diversified Alternatives and Active Diversifiers	60%
<b>Medium Term Asset Allocation Opportunities</b>	15%
<b>Asset categories excluding those above</b>	10%

**Equity strategies** invest predominantly in investments on listed equity markets, including but not limited to listed alternatives such as REITs (real-estate investment trusts) and listed infrastructure. Private equity is excluded. The Sophisticated equities contains a range of long-only equity exposures selected by the Manager. These exposures will include actively managed equities and may also include any assets that may be held within the Multi-Factor equity focussed option.

**Active Credit** invests in debt related investments that may include, but are not limited to, government bonds, corporate bonds, bank loans, convertibles, mortgages, asset-backed securities, structured notes, hybrid securities, absolute return bond strategies, total return bond strategies, emerging market debt, multi-asset credit and derivatives. These securities and instruments may be investment grade, sub-investment grade, or not rated; and may be issued in developed or emerging markets.

**Liquid Alternatives** refers to any liquid asset category that is used to diversify a portfolio away from traditional asset classes such as equities. Diversified Alternatives rely mainly on market exposures to generate returns. The Fiduciary Manager will manage these market exposures.

- **Active Diversifiers** includes more actively managed strategies. Some of the underlying assets held within these more actively managed strategies may have lock-up periods.

The Fiduciary Manager anticipates that any such lock-up periods would be less than three years in normal market conditions; in exceptional circumstances (for example, where the underlying asset is in the process of liquidation, or where there is a run on withdrawals), a lock-up period may be extended. If a subsequent instruction results in an allocation that exceeds the maximum allocation, the Fiduciary Manager will realise existing holdings as soon as reasonably practicable to bring this component of the Growth Portfolio to within the new maximum allocation.

**Medium Term Asset Allocation Opportunities** may invest across a range of asset categories. As such, the other asset category restrictions in the table above do not apply to this strategy. Within Medium Term Asset Allocation Opportunities, the Fiduciary Manager will maintain daily liquidity.

### **Liability Matching Portfolio**

The allocation of the Liability Matching Portfolio is held with Schroder Pension Management Limited. The aims of the matching funds are to provide returns in line with the liabilities of typical pension schemes on an exposure basis in the relevant tenures and instruments (long/short, real/nominal).

The "Scaled Liability Proxy" is defined as 87% of the Liability Proxy.

At each Assessment Date, the "Cash Benchmark" will be deemed to be the value of the Portfolio less the value of the Scaled Liability Proxy, the return of which will be deemed to be the equivalent of the return from the SONIA Compounded Index as described above. In the event of cashflows being made to the Portfolio between Assessment Dates, or cashflows falling due from the Scaled Liability Proxy, the Cash Benchmark shall be adjusted accordingly.

The "Liability Benchmark" will be the sum of the Scaled Liability Proxy and the Cash Benchmark, and the return on the Liability Benchmark over a Performance Period shall be the combined return on the Scaled Liability Proxy and the Cash Benchmark.

In the normal course of events, the funds will seek to achieve their investment objectives primarily by investing in a combination of a diversified portfolio of fixed income securities directly or through the use of derivatives and collective investment schemes which themselves invest primarily in these instruments.

The Target Hedge Ratios are 87% of the PV01 and 87% of the IE01 of the Liability Proxy, unadjusted for the market value of the Portfolio. PV01 is the change in value of the current benchmark for a 1 basis point parallel shift in interest rates across the curve. IE01 is the change in value of the current benchmark for a 1 basis point parallel shift in inflation rates across the curve.

AIL does not have discretion to hedge more or less than the Target Hedge Ratios set out above for tactical purposes.

### **3 – Other matters**

#### **Cash Investments and Disinvestments**

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance, and this is carefully monitored by the Scheme's administrator.

The investment managers are not permitted to hold cash, other than within the funds themselves and subject to the constraints set by the investment managers.

**Appendix 2**  
**Appendix to Statement of Investment Principles – DC Section**

**The Balance Between Different Kinds of Investment**

The Trustees have made available a range of funds to suit the individual needs of the Scheme’s members. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustee has made available a lifestyle arrangement, whereby a member’s assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium- to higher-risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member’s target retirement date so as to protect the purchasing power of the retirement savings.

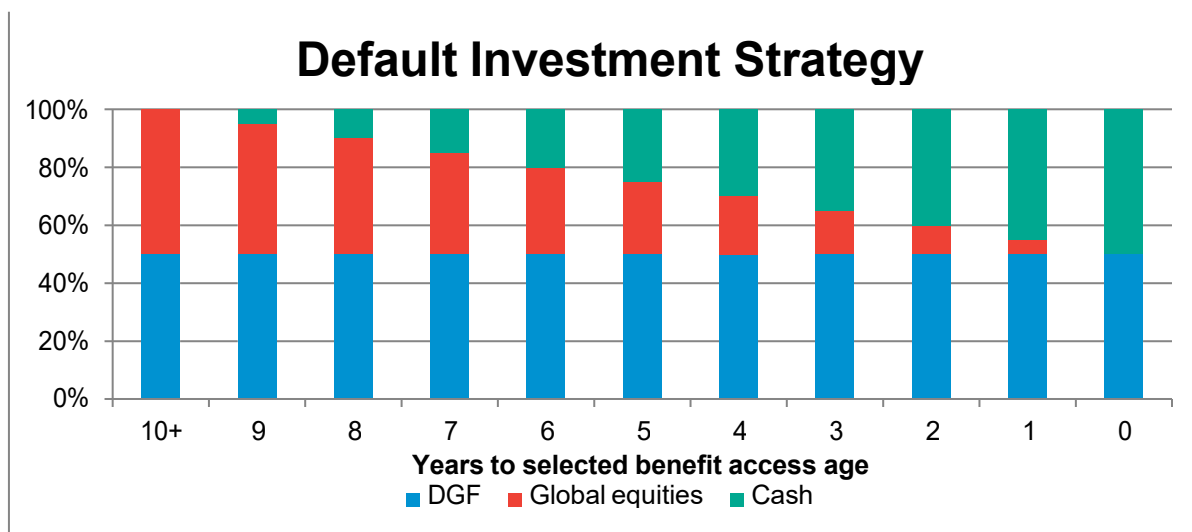
The lifestyle arrangement is constructed from some of the funds mentioned above which are offered to members wishing to manage their own asset allocation decisions.

**Default Option**

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all.

In the Default strategy, the LGIM Dynamic Diversified Fund (DDF) will be used in conjunction with the Future World Global Equity Index Fund up until 10 years before the selected benefit access age (referred to as the ‘Growth Phase’). During the 10 years to selected benefit access age (known as the ‘Consolidation Phase’), the Default strategy will gradually switch out of the Future World Global Equity Index Fund and into the Cash Fund.

The Default investment strategy is shown below:



Where members contribute to a fund that has been closed or suspended, the default arrangement in place is to redirect these contributions to the LGIM Cash Fund. Members are notified of this arrangement when they select where their contributions will be invested.

The Trustees also gave members within 10 years of retirement the option to remain in the previous default strategy in 2016, which did not include a DGF. Therefore, there may be some members whose Consolidation phase is in line with the previous default strategy.

### **Choosing Investments**

The Trustees have appointed Legal & General Assurance (Pensions Management) Limited ('LGIM') to carry out the day-to-day investment of the Scheme.

The investment manager is authorised and regulated by the Financial Conduct Authority. The investment benchmarks and objectives for each fund available are given below:

Fund	Benchmark	Objective
Dynamic Diversified Fund (actively managed)	Bank of England base rate	Benchmark +4.5% per annum, over a full market cycle
UK Equity Index Fund	FTSE All-Share Index	Track the benchmark to within set tolerance ranges.
Ethical UK Equity Index Fund	FTSE4Good UK Equity Index	Track the benchmark to within set tolerance ranges.
UK Smaller Companies Index Fund	FTSE SmallCap Index	Track the benchmark to within set tolerance ranges.
North America Equity Index Fund	FTSE World North America Index	Track the benchmark to within set tolerance ranges.
Europe (ex-UK) Equity Index Fund	FTSE Developed Europe ex UK Index	Track the benchmark to within set tolerance ranges.
Japan Equity Index Fund	FTSE Japan Index	Track the benchmark to within set tolerance ranges.
Asia Pacific (ex-Japan) Equity Index Fund	FTSE World Asia Pacific ex Japan Index	Track the benchmark to within set tolerance ranges.
World Emerging Markets Equity Index Fund	FTSE Emerging Index	Track the benchmark to within set tolerance ranges.
Global Equity Fixed Weights (50:50) Index Fund	50% FTSE All Share Index, 50% of regional FTSE AW World Index overseas	Track the benchmark to within set tolerance ranges.
Over 15 Year Gilts Index Fund	FTSE A Government (Over 15 Year) Index	Track the benchmark to within set tolerance ranges.
Over 5 Year Index-Linked Gilts Index Fund	FTSE A Index-Linked (Over 5 Year) Index	Track the benchmark to within set tolerance ranges.
Cash Fund (actively managed)	7 Day LIBID	Track the benchmark to within set tolerance ranges.

Property Fund (actively managed)	AREF/IPD UK Quarterly All Balanced Property Funds Index	Outperform over 3 and 5 year periods
AAA-AA-A Corporate Bond – All Stocks - Index Fund	Markit iBoxx £ Non-Gilts (ex-BBB) Index	Track the benchmark to within set tolerance ranges.
Future World Fund – GBP Hedged	FTSE All-World ex CW Climate Balanced Factor Index	Track the benchmark to within set tolerance ranges.
Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	Track the benchmark to within set tolerance ranges.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The Trustees have arrangements for investment of AVCs with Standard Life in various funds of the members' choosing. The Trustees will review these providers from time to time to ensure that they continue to be appropriate and accord with the Occupational Pension Scheme (Charges and Governance) Regulations 2015.

## Fee Agreements

Total Expenses Ratios and transaction costs are disclosed in the annual Chair's Statement. LGIM's annual management charges are summarised below:

<b>Fund</b>	<b>Annual Management Charge (% p.a.)</b>
Dynamic Diversified Fund (actively managed)	0.5
UK Equity Index Fund	0.1
Ethical UK Equity Index Fund	0.2
UK Smaller Companies Index Fund	0.25
North America Equity Index Fund	0.2
Europe (ex-UK) Equity Index Fund	0.25
Japan Equity Index Fund	0.225
Asia Pacific (ex-Japan) Equity Index Fund	0.275
World Emerging Markets Equity Index Fund	0.45
Global Equity Fixed Weights (50:50) Index Fund	0.165
Over 15 Year Gilts Index Fund	0.1
Over 5 Year Index-Linked Gilts Index Fund	0.1
Cash Fund (actively managed)	0.125
Property Fund (actively managed)	0.7
AAA-AA-A Corporate Bond – All Stocks – Index Fund	0.15
Future World Fund – GBP Hedged	0.375
Future World Global Equity Index Fund	0.225