

**GRUNDFOS PUMPS LIMITED AND SUBSIDIARY COMPANIES
RETIREMENT AND DEATH BENEFITS SCHEME**

STATEMENT OF INVESTMENT PRINCIPLES

JANUARY 2023

1. INTRODUCTION

The Trustees of the Grundfos Pumps Limited and Subsidiary Companies Retirement and Death Benefit Scheme (the Scheme") have drawn up this Statement of Investment Principles (the Statement") in-order to comply with the Occupational Pension Schemes (Investment) Regulations 2005 (as amended from time to time). This Statement is intended to describe the general approach of the Trustees to investment matters.

When making their investment decisions and reviewing this Statement, the Trustees obtained and considered the written advice of Cartwright Benefit Solutions Limited on the asset class allocations, whom the Trustees reasonably believe to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustees.

Whilst the Trustees are solely responsible for the Scheme's investment strategy, the Trustees consulted the Employer to the Scheme on both the investment decisions taken by the Trustees and this Statement's content.

2. SCHEME BACKGROUND

Under the Rules governing the Scheme, the power of investment is vested in the Trustees. In practice, the Trustees' fundamental responsibility is the strategic management of the assets. In general, the Trustees are not restricted in the kind of investments they (or their agents) can make and these include insurance policies.

Day to day management can be delegated to professional investment managers who act in accordance with this statement, the Trustees' instructions and legal requirements.

In preparing this statement, the Trustees have taken into account the following basic information concerning the Scheme:

- 2.1 The nature of its benefits - The Scheme provides benefits linked to final salary, and pensions are subject to annual increases in payment. The liabilities are therefore linked to salary increases up to normal retirement date and pension increases in deferment and in payment.

- 2.2 The Scheme's funding and solvency levels (the extent to which the Scheme's liabilities are exceeded by its assets) are set out in the most recent actuarial valuation.
- 2.3 The maturity of the Scheme's liabilities (i.e. a mature scheme is one which has a significant part of its liabilities that are known liabilities - being benefits for current pensioners and deferred pensioners).
- 2.4 The Scheme is not a cross border scheme.

3. INVESTMENT OBJECTIVES

The Trustees overall investment policy is guided by the following objectives:

- 3.1 to ensure that the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise;
- 3.2 to ensure the Scheme's assets are invested in such a manner as to best assist in ensuring that the Statutory Funding Objective is met;
- 3.3 to ensure that the day to day investment policy takes account of the nature of the Schemes liabilities which are linked to final salary and are subject to annual increases in payment;
- 3.4 to set and monitor realistic performance targets for the appointed investment managers;
- 3.5 to avoid significant volatility in the funding position of the Scheme and the pensions expense in the sponsoring employers' company accounts.

Finally, the Trustees are required to use their powers to invest in the best interests of all beneficiaries and in a manner calculated to ensure the security, quality, liquidity and profitability of the scheme's investment portfolio as a whole.

4. TRUSTEES' ROLE IN THE STRATEGIC INVESTMENT MANAGEMENT

The Trustees understand that their role of strategic investment management involves the following decisions :-

- 4.1 determining whether the assets should be invested in insurance policies, pooled investment vehicles, or in a segregated portfolio of securities specifically managed for the Scheme, or in a combination of the three;

- 4.2 determining whether the day to day investment policy should be managed on a "passive" or "active" basis (see Notes below), or a combination of the two;
- 4.3 determining whether the allocation of the Scheme's assets to the various investment classes can be left to the discretion of the appointed investment manager, or whether the Trustees need to give specific directions in-order to ensure that the assets are invested in a manner consistent with the nature of the Schemes liabilities; and
- 4.4 selection, appointment and monitoring of one or more investment managers chosen to implement the Trustees' strategic decisions, and to achieve the Trustees' objectives set out in Section 3 above.

Notes

- Passive management seeks to replicate the investment returns achieved by the major stock or bond market indices.
- Active management seeks to add value to investment performance through the judicious selection of stocks or bonds in selected stock markets.

5. TRUSTEES' STRATEGIC INVESTMENT POLICY

Taking account of the above points, the Trustees' general investment policy is as follows:-

- 5.1 given the value of the Scheme's assets, the Trustees have therefore decided to invest in pooled investment vehicles in order to provide a sufficient diversification of investment;
- 5.2 the Trustees have decided to seek "added value" in investment performance terms through the appointment of an active manager.
- 5.3 the Trustees recognize that the Scheme's liabilities are payable over the longer-term and are predominantly salary-related.

The Scheme Actuary carried out an actuarial valuation of the Scheme as at 1st November 2020; the Trustees are satisfied in the light of the results provisionally agreed from that valuation that the benchmark and asset classes are appropriate. This will be reviewed in the light of future advice and amended as necessary.

6. MONITORING AND CONTROL OF INVESTMENT FUND MANAGERS

6.1 Formal Investment Agreement

The Trustees have entered into formal agreements with Columbia Threadneedle Asset Management Limited for the day-to-day management of the Scheme assets, which provides important protections for the Scheme itself and the Trustees. The agreement (see enclosures) also sets out the terms on which the Scheme assets are managed, the investment briefs,

guidelines and restrictions under which the investment manager operates. This agreement complies with the terms of this Statement.

6.2 Custody arrangements

In addition, the Agreement defines matters relating to the safekeeping (custodianship') of assets which remain the responsibility of Columbia Threadneedle Asset Management Limited. The assets of the Scheme are held by custodians under standard industry terms and conditions. Columbia Threadneedle Asset Management Limited have contractual arrangements with the custodians of the funds shown in the Appendix on behalf of the Trustees.

6.3 Reporting of Performance

Columbia Threadneedle Asset Management Limited will prepare quarterly reports to the Trustees including:

- valuations of all Scheme assets that they hold on behalf of the Trustees;
- records of all transactions together with a cash reconciliation; and
- a review of recent actions undertaken on behalf of the Scheme, together with a summary of their current stated policy.

6.4 Monitoring Performance

In the light of the overall size of the Scheme and the number of Trustees, it was agreed appropriate to set up an investment sub-committee consisting of Lars Sylvest and John Morley.

An investment adviser is retained to assist the Trustees in fulfilling their responsibility for monitoring and reviewing investment managers. The Trustees will review the performance at least annually, but usually at each meeting of the Trustees.

In the event of the fund manager failing to meet the performance objective set out in section 9, the Trustees will undertake a review and may consider a change of manager.

7. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ('ESG')

The Trustees believe that their primary responsibility is to invest the Scheme's assets for the longer-term financial best interests of the Scheme's beneficiaries, as reflected by the Trustees' strategic investment objectives (including the Scheme's investment time horizon). The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Scheme.

Statement of Investment Principles

An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance.

The Trustees measure and monitor the performance versus target of all their investment funds on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered. The portfolio turnover costs will be part of the after fees fund performance and are therefore reflected in that figure.

The Trustees' intention is to avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustees believe that an investment fund can no longer achieve its performance target, and believe that it is in the Scheme's best interests to make a change, they will do so.

Due to the Trustees' use of pooled investment funds, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately, delegated to each investment manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard.

The Trustees periodically obtain and review the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustees will challenge the investment manager on their policies. Should the Trustees be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Scheme's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustees' expectations with regard to ESG and Stewardship policy.

The Trustees do not explicitly take into account the views of the Scheme's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Scheme's beneficiaries.

8. INVESTMENT STRATEGY

The Trustee's investment strategy for the Scheme is described in the Appendix. The key considerations when designing it were as follows.

- (a) The Scheme's "growth assets" are chosen such that they are expected to grow by more than the Scheme's liabilities over the longer-term, and are highly diversified by asset class, geographical area, industry sector and company.
- (b) The Scheme's "protection assets" are chosen such that they are expected to move similarly to the Scheme's liabilities over both the shorter- and the longer-term, thereby reducing the potential volatility of the Scheme's deficit (i.e. the difference between the Scheme's liabilities and the Scheme's assets).
- (c) The split between growth assets and protection assets is such that the overall longer-term expected investment return (net of costs) is sufficient to reasonably anticipate all members' benefits to be paid in full. However, this is subject to the Scheme's overall investment risk and deficit volatility continuing to be supported by the strength of the Employer's covenant.
- (d) Overall, the Scheme's assets should be sufficiently liquid to enable members' benefits to be paid as and when they fall due.

The approximate interest rate and inflation hedge ratios of the assets to the Estimated Buy-Out Basis have been assessed as at 31 December 2022 as being circa 50%.

The Trustees need to ensure that the Scheme has sufficient resources to meet its liabilities. In part this means that investment returns must represent a reasonable margin in excess of earnings inflation and price inflation. In addition, regulations require the Trustees to invest the assets in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme. The Trustees believe that this aim is most likely to be achieved by investing in an appropriate mix of asset classes and further details are set out in the Appendix.

9. INVESTMENT PERFORMANCE AND BENCHMARK

The Trustees have put into place the following investment targets and benchmarks.

Fund	Benchmark	Performance Objective
Aquila Life Over 15 year Gilt Fund	FT Brit Govt Over 15 Years Index	To track the benchmark Index
TPEN Index-Linked Bond Fund	FT Brit Govt Index Linked All Stocks Index	To beat the benchmark Index
Dynamic Real Return Fund	CPI Inflation	4% pa gross of fees over 3-5 years
TPEN Multi-Asset Fund	LIBOR	4% pa gross of fees over economic cycle

10. RISKS - MEASUREMENT & MANAGEMENT

10.1 Measurement of risk

The Trustees regularly review a wide range of risks to which the Scheme is exposed and mitigates these risks where possible and practical to do so. The Trustees believe that the investment strategy adopted is consistent with the agreed risk management policy.

The Trustees' policies on the key investment-related risks are as follows:

- **Employer covenant:** The investment risk taken by the Scheme is underwritten by the Employer because, should investment returns not be achieved as expected over the longer-term, the Employer will ultimately be required to increase its contributions to enable all members' benefits to be paid in full. The Trustees regularly monitor the Employer's covenant and consider the level of the Scheme's investment risk in light of the strength of the Employer's covenant.
- **Mismatch risk:** The inherent nature of the assets and the liabilities, and the need for the Scheme to take some investment risk to reduce the deficit over time, means that the assets and liabilities are not expected to move in tandem under all financial market conditions and the deficit may rise or fall as a result. The Trustees explicitly take the Scheme's liabilities into account when setting the investment strategy (including their nature and duration) and aim to diversify across and within the different risk factors; for example, interest rates, inflation expectations, equity and diversified growth. The Trustees will look to reduce the level of mismatch risk as the funding level improves.

- **Active manager risk:** The Trustees recognise that actively managed funds can under- or out-perform their benchmark indices. Actively managed funds are therefore used for asset classes where the Trustees believe that the chosen investment manager is likely to consistently and sustainably either out-perform the benchmark index, reduce the volatility of investment returns, or both.
- **Diversification:** in addition to diversifying across different risk factors (see above), where appropriate, the Trustees also diversify across asset classes, investment managers, counter-parties, and geographically. This helps to avoid excessive concentrations of risk. To achieve cost-effective diversification, the Scheme's assets are all invested in pooled funds.
- **Liquidity:** to pay members' benefits, the Trustees are increasingly expected to need to regularly liquidate some of the invested assets to supplement any cash held in the Trustee's bank account. Some asset classes can be relatively illiquid and so there can be lengthy delays before the cash proceeds become available. The Trustees regularly review the Scheme's income and outgoings in the context of the overall liquidity of the invested assets (i.e. this means that a proportion of the Scheme's assets could be relatively illiquid). The Trustees also have an investment/disinvestment cash flow policy (see the Appendix) in place to help to ensure members' benefits are paid as and when they are due. The realisation of investments within each investment fund is delegated to the relevant investment manager.
- **Derivatives:** derivatives tend to involve leverage to magnify the exposure to certain financial instruments. All the derivatives used by the Scheme either contribute to the reduction of risk or are used for efficient portfolio management. The diversified derivative counter-party exposure is delegated to, and kept under regular review by, each investment manager.
- **Regulatory:** The Scheme's assets are invested predominantly on regulated markets.

10.2 Monitoring and management of risk

The Trustees regularly review the performance of the investment strategy, including: the performance of the Scheme's assets against the Scheme's liabilities, the actual asset allocation against the strategic asset allocation, each investment fund's performance against its benchmark index, and the investment/disinvestment cash flow policy.

The Trustees will formally review and obtain written investment advice on the suitability of the investment strategy at least every three years in line with the timing of each tri-annual actuarial valuation. These reviews will include the ongoing suitability of the retention of the investment funds used.

Certain parts of the investment strategy may be reviewed more frequently if required, for example the investment/disinvestment cash flow policy.

11. BORROWING AND GUARANTEES

The Trustees and the appointed fund manager will not borrow where the borrowing is liable to be repaid out of the Scheme's assets except for the purpose of providing liquidity for the Scheme on a temporary basis.

Also, the Trustees and the appointed fund manager will not act as a guarantor in respect of another person's obligations where the guarantee is liable to be satisfied out of the Scheme's assets.

12. THE REALISATION OF INVESTMENTS & BANK ACCOUNTS.

The Trustees operate a bank current account for the purpose of making and receiving payments. In normal circumstances, disinvestments will only occur when it is not possible to meet expenditure out of income or the existing bank cashflow.

In general, the fund manager has discretion as to the timing of realizations of investments and in considerations relating to the liquidity of those investments. The fund manager has responsibility for generating cash needed for benefit payments and the cash reserve when requested by the Trustees. They have undertaken not to exceed the Trustees' investment powers as set out in the Trust Deed.

As already mentioned, the day-to-day activities which the investment managers carry out are governed by the Investment Agreement (see section 6.1 above) which is reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Trustees invest members' AVCs in a variety of policies managed by Aegon and AVIVA. With the assistance of the scheme administrator, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remain consistent with the objectives of the Trustees and the needs of the members. Other areas which are reviewed are the service levels and charging structure.

14. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this Statement annually having regard to the monitoring set out in section 6.

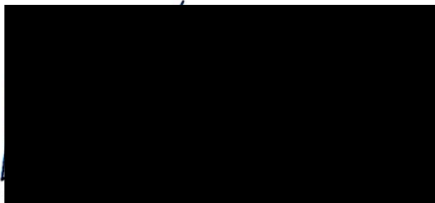
15. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the investment arrangements detailed above. The review will normally be carried out on an annual basis, and will at least occur no less frequently than every 3 years to coincide with the Tri-Annual Actuarial Valuation.

Any such review will again be based on written, expert investment advice and will be in consultation with the employer.

The Trustees of the Scheme have adopted this Statement of Investment Principles ("the Statement") to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

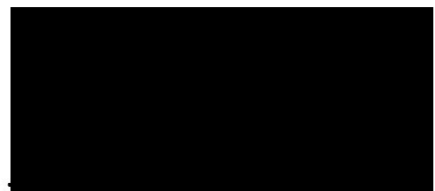
Signed



L Sylvest - Trustee

Date 25th April 2023

Signed



J Morley - Trustee

Date 25th April 2023

For and on behalf of the Trustees of the Grundfos Pumps Limited and Subsidiary Companies Retirement and Death Benefit Scheme

APPENDIX

The Trustees have adopted the investment strategy described below, which consists of a strategic asset allocation and an investment/disinvestment cash flow policy. The strategic asset allocation determines how the Scheme's assets are split between different asset classes, and results in an overall longer-term "best estimate" expected investment return and hedge ratios for both interest rates and inflation expectations. The Trustees subsequently selected which investment manager and funds are used to implement each asset class – all the investment managers are regulated under the Financial Services and Markets Act 2000.

The Trustees have chosen funds held with Threadneedle Investment Management Limited, as follows:

Asset class	Investment fund	Management style	Strategic asset allocation
Diversified Growth Fund	TPEN Multi-Asset Fund	Active	20%
Diversified Growth Fund	Dynamic Real Return Fund	Active	20%
Growth assets			
			40%
Gilts	Aquila Life over 15 year gilt fund	Index-tracking	40%
Gilts	TPEN Index Linked Bond Fund	Active	20%
Protection assets			
			60%
Total			100%
Overall longer-term "best estimate" expected return ¹			6.7% pa

¹ The expected return is calculated using the Pfaroe model assumptions as at 31 December 2022.

Approximate interest rate hedge ratio relative to the Estimated Buy-Out Basis	50%
Approximate inflation hedge ratio relative to the Estimated Buy-Out Basis	50%
Trustees' investment time horizon	Circa 5-10 years

The Trustees have agreed that any cash flows for disinvestment or investment will be taken from or directed to the funds in such a way as to move the Scheme closer to its strategic asset allocation. The Trustees may decide to change this investment/disinvestment cash flow policy from time-to-time, subject to receiving the required written investment advice. The Scheme's asset allocation is monitored on a monthly basis. If any of the four funds is more than 2.5% above or below its strategic asset allocation the Investment Committee will discuss whether to take any action. If the growth / protection asset split is more than 5% above or below the Scheme's strategic asset allocation of 40%/60% (ie outside the 35/65 to 45/55% range), then the Scheme will automatically be rebalanced back to its strategic asset allocation.

A hedge ratio is a measure of the level of protection the Scheme has against changes in longer-term interest rates/inflation expectations. Both of these risks originate from the nature of the Scheme's liabilities. For example, with an interest rate hedge ratio of 50%, if a fall in longer term interest rates results in a £10m increase in the liability value, then the protection assets are expected to rise by £5m to compensate (within practical constraints and ignoring some potential residual basis risks). This simplified example assumes financial market conditions are otherwise stable (for example, no change in equity markets). In practice, due to other risk factors, the overall asset value may rise by more or less than stated (or fall).

Note - The Trustees may (in accordance with the Trust Deed and Rules) purchase an annuity or assurance contract to fund any benefits payable under the Scheme.

Enclosures

1. Columbia Threadneedle – TPEN Policy Document
2. Columbia Threadneedle – Class S Share Agreement
3. Columbia Threadneedle – Application Form for OEIC Funds
4. Columbia Threadneedle - Governance and Responsible Investment Principles and Procedure