STATEMENT OF INVESTMENT PRINCIPLES
JUNE 2022
THE CURTISS-WRIGHT UK PENSION PLAN

1. Introduction

The Trustees of the Curtiss-Wright UK Pension Plan (the "Plan") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (as amended) ("the Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement sets out the investment principles that govern decisions about the Plan's investments.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with the Sponsoring Company (the "Sponsor") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Plan's investment arrangements and, in particular on the Trustees' objectives.

2. Process For Choosing Investments

The Trustees have appointed Mercer to act as the Plan's investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Plan's funding level improves. In this capacity, and subject to agreed restrictions, the Plan's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA, and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan's assets on a day to day basis.

In considering appropriate investments for the Plan, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in Section 3.

The remaining elements of policy are part of the day-to-day management of the assets which is delegated to Mercer and described in Sections 6 and 11.

3. Investment Objectives

The Trustees understand that taking some investment risk, with the support of the Sponsor, is necessary to improve the Plan's ongoing and long-term funding positions. The Trustees recognise that equity investment will bring increased volatility of the funding level, but in the expectation of improvements in the Plan's funding level through outperformance of the liabilities over the long-term.

The Trustees are required to invest the Plan's assets in the best interest of the members, beneficiaries and the Sponsor, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this context the Trustees' main objectives with regards to investment policy are:

- To achieve, over the long-term, a return on the Plan's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Plan;
- To ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Sponsor in relation to the size and volatility of the Sponsor's contribution requirements.

The Trustees will review these investment objectives on a periodic basis, and update this Statement should these objectives change in any material way.

4. Risk Management and Measurement

There are various risks to which the Plan is exposed. The Trustees' policy on risk management over the Plan's anticipated lifetime is as follows:

- The primary risk on which the Trustees focus is that arising through a mismatch between the Plan's assets and its liabilities.
- The Trustees recognise that there are a number of risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to funding risk. The Trustees recognise that amongst those risks are inflation and interest rate risk.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's liabilities as well as producing more short-term volatility in the Plan's funding position. The Trustees take advice on the matter and, in light of the objectives noted in Section 3, carefully consider the implications of adopting different levels of risk.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to satisfying the risk from a mismatch of assets and liabilities, the Trustees believe that the asset allocation policy in place provides an adequately diversified distribution of assets given the level of risk deemed acceptable.

- The Trustees recognise that there is a risk in holding assets that cannot easily be sold should the need arise. To guard against this, they review the profile of each portfolio to ensure that there is sufficient liquidity to meet the likely demands of the members.

- To help the Trustees ensure the continuing suitability of the current investments, the Trustees delegate responsibility for the appointment, removal and ongoing monitoring of the Plan's investment managers to Mercer. Mercer provides the Trustees with regular reports regarding the appointed investment managers to monitor consistency between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, can have a financially material impact on return. Section 10 sets out how these risks are managed.

Should there be a material change in the Plan's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered.

5. Investment Strategy

The Trustees, with advice from the Plan's investment consultant and Scheme Actuary, reviewed the Plan's investment strategy in 2021. This review considered the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long-term solution to "de-risk" the Plan's assets relative to its liabilities over time using a dynamic trigger-based de-risking framework. The Trustees decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates the asset allocation to the Plan's funding level (on an actuarial basis using a discount rate of 0.5% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.5% basis"). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target a funding level of 115% on a gilts + 0.5% basis by 2026 - 2031;

- To reduce the volatility in the funding level by reducing unhedged liability exposures;

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, as and when they arise.

The de-risking strategy takes account of the Plan's initial funding level on a gilts + 0.5% basis and is based on a model of the progression of the Plan's funding level over time, taking into account the expected contributions from the Sponsor, as agreed at the latest triennial actuarial valuation.

The de-risking triggers which form the basis of the dynamic investment strategy are set out in the Investment Management Agreement ("IMA") with Mercer.

Once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

Responsibility for monitoring the Plan's asset allocation, and undertaking any rebalancing activity, is delegated to Mercer. Mercer reports quarterly to the Trustees on its rebalancing activities.

6. Day-to-Day Management of the Assets

The Trustees have delegated the day-to-day management of the Plan's assets to Mercer, subject to certain restrictions, who in turn delegates responsibility for the investment of the assets to a range of underlying specialist investment managers. Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Plan subject to agreed constraints.

The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to choose and combine the underlying investment managers and ensure that they are fit to manage the Plan's investments.

The Trustees regularly review the continuing suitability of the Plan's investments, including Mercer's ability to select, appoint, remove and monitor the appointed managers. Mercer is regulated by the Financial Conduct Authority.

7. Realisation of Investments

Mercer and the underlying investment managers selected by Mercer have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

8. Cash flow and cash flow management

Cash flows, whether positive or negative, are used to move the Plan's asset allocation and allocation to the individual underlying investment managers back towards the strategic allocation appropriate at that point in time.

9. Rebalancing

As noted, responsibility for monitoring the Plan's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced Growth Portfolio weighting, under the new de-risking band.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustees and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

10. ESG, Stewardship and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have delegated day-to-day management of the assets to Mercer, subject to certain restrictions, who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustees have not set any investment restrictions on Mercer or the underlying investment managers in relation to particular products or activities.

11. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in sections 3 and 5, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, the long-term liabilities.

As Mercer manages the Plan's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds. However, the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year and since inception. The Trustees review the absolute performance and relative performance against both a portfolio's and underlying investment manager's benchmark (over the relevant period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long-term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 10 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Plan.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3. The fees of both Mercer and MGIE are based on a percentage of the value of the Plan's assets under management and cover the investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment report prepared to the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund Supplements, the Report & Accounts and within the Plan's annualized, MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range but rebalancing ranges have been set to avoid unnecessary transaction costs due to unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

12. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

For and on behalf of the Curtiss-Wright UK Pension Plan