

Statement of Investment Principles

For the Eaton UK Pension Plan

Effective from: 19 March 2026



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustee of the Eaton UK Pension Plan (“we, our”).

It sets out our policies on various matters governing investment decisions for the Eaton UK Pension Plan (“the Plan”), which has Defined Benefit (“DB”), Defined Contribution (“DC”) and Hybrid sections, all of which are covered in this SIP. The DC section consists of Additional Voluntary Contributions (“AVCs”) and Money Purchase Accounts (“MPA”) and the Hybrid section is in respect of Individual Member Accounts (“IMA”).

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”), the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Regulator’s guidance for defined benefit pension schemes (March 2017), and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This SIP replaces the previous SIP dated August 2024.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Plan and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place as soon as practicable after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Plan’s investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective of the **DB Section** is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have a series of additional objectives:

- the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions, the cost of current and future benefits which the Plan provides;
- to limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Scheme Specific Funding Requirement; and
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst managing and maintaining investment risk at an appropriate level, and having regard to the other objectives.

What we determine to be an appropriate level of risk is set out in Part 2 of the SIP addendum.

Our objective for the **DC and Hybrid Sections** is to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile DC and Hybrid Sections and the variety of ways that members can draw their benefits in retirement; and
- in fulfilling this first objective, to make available to members a range of investments via pooled funds which seek to achieve real returns on members’ assets while controlling the risks arising from the potential volatility of such investments.

It is for each member to decide which funds they wish to use at any time.

3. Investment strategy

With input from our advisers and in consultation with the employer, we have reviewed the investment strategy for the **DB section**, considering the objectives described in Section 2, as part of the 2022 Actuarial Valuation. Following consideration of some alternative asset classes, we agreed that the investment strategy of the Plan should be based on the allocation below.

The investment strategy for the DB Section is shown in the following table.

Asset class	Strategic allocation
UK equities	4%
Overseas equities	16%
Real assets	10%
Matching credit	15%
Growth credit	15%
Liability driven investment (“LDI”) (including collateral)	40%
Total	100%
Target interest rate and inflation hedging (Technical Provisions basis)	90%

It should be noted that deviations from this allocation are valid and indeed to be expected. This is in part due to the way that the LDI portfolio is considered to provide a desired approximate level of hedging of interest rate and inflation risks, and so a fixed percentage allocation is not an appropriate means by which to summarise this allocation. In addition, the need to have liquidity to respond to potential collateral requirements for the LDI portfolio will also cause deviations from the above allocations over time.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic asset allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cashflows.

There is a Cashflow Management Policy in place, which sets out an investment / disinvestment process to cover excess contributions over and above monthly expenditure or excess expenditure over and above monthly contributions.

We do not have a formal leverage management plan. The Plan has a bespoke LDI portfolio, and the investment management agreement sets out the assets and approach available to support the Plan’s LDI arrangements. We review the collateral adequacy periodically to ensure that it does not fall below the prudent level outlined in guidance from The Pensions Regulator.

The **Hybrid Section (IMA)** is closed to both new members and new contributions and is in respect of historic benefits that some Plan members accrued when with a previous employer which was acquired by Eaton. The benefits provided from this Section are the members’ individual member accounts (IMAs) which operate on a DC basis subject to an underpin of the member’s Guaranteed Minimum Pension and Reference Scheme Test pension earned as a result of being contracted-out of the State pension on a final salary basis.

The Hybrid Section does not have, and is not required to have, a default investment arrangement. Each member is responsible for specifying one or more funds for the investment of their account having regard to their attitude to the risks involved. We offer a lifestyle investment option which has been designed to have risk and return characteristics similar to a lifestyle targeting flexible drawdown. This lifestyle was implemented on 19 April 2021 and updated in February 2024, replacing the previous lifestyle option targeting annuity purchase for those members who were more than one year from their target retirement age in 2021. The drawdown targeted lifestyle option is designed to protect against some of the risks described in Part 2 of the SIP addendum. The annuity purchase lifestyle is not available for members to select for investment, however a small number of members remain invested in this option (specifically those who were within one year of their target retirement age as at the introduction of the drawdown targeting lifestyle). The lifestyle option was designed to be in the best interests of the majority of the members based on analysis of the demographics of the membership.

In considering the investment options we have taken account of the fact that the benefits have been described to members as DC benefits.

We will monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

We have considered the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns, in deciding on the range of investment vehicles to make available to members. The range of available funds is set out in in Part 3 of the SIP addendum.

For the **AVCs and MPAs** the Plan provided a facility for members to pay AVCs into the Plan to enhance their benefits at retirement. In addition, a number of individual MPAs were established under a predecessor scheme (Eaton UK Retirement Benefits Plan) and transferred to the Plan. The AVCs and MPAs are closed to new

contributions. The AVC and MPA Sections do not have, and are not required to have, a default investment arrangement. Members are offered a range of standalone funds and a lifestyle investment option in which to invest their AVCs and historic MPAs. Further details are provided in Part 3 of the SIP addendum.

While the Plan is a Qualifying Scheme, the DC arrangements in the IMA, MPA and AVC Sections of the Plan are not being used as a Qualifying Scheme for automatic enrolment purposes. We have taken legal advice and have been informed that Regulation 3 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 does not apply to the DC arrangements.

4. Considerations in setting the investment arrangements

When deciding how to invest the Plan's assets, we consider a number of risks, including, but not limited to, those set out in Part 2 of the SIP addendum. Some of these risks are more quantifiable than others, but we have tried to allow for the relative importance and magnitude of each risk.

We have considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. In 2024, we undertook a full strategy review and some long-term financial assumptions were made to assist in the consideration of some de-risking proposals for the DB Section. These included, as at 31 March 2024, that the equity portfolio will, over the long term, outperform gilts by 3.1% pa. Some of the other key assumptions for expected returns above gilts were as follows:

- Matching credit: 1.0% pa
- Growth credit: 2.0% pa
- Cash: 0.0% pa
- Unlisted infrastructure equity: 2.5% pa
- Dynamic LDI: 0.4%

In setting the strategy for the Plan for the DB Section we took into account:

- the Plan's investment objectives, including the target return required to meet our investment objectives;
- the Plan's cashflow requirements in order to meet benefit payments in the near to medium term;
- the best interests of members and beneficiaries;

- the circumstances of the Plan, including the profile of the benefit cashflows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Plan's overall level of investment risk and the balance of individual asset risks are appropriate; and
- our investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the DC and Hybrid Sections we considered:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle investment options and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the lifestyle investment options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which we believe are financially material over the periods until members' retirement, or any other timeframe which we believe to be appropriate; and
- our investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

We also consider any other factors we believe to be financially material over the applicable time horizons relevant to the funding of the DB and DC benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs and understanding of the DC and Hybrid Section's membership are reflected in the design of the lifestyle investment options, and in the range of other funds made available to members.

Our policy regarding **investments in illiquid assets in the DC arrangements**, is set out below. Illiquid assets means assets that can't be easily or quickly be sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

We believe that long-term net risk-adjusted investment returns may be improved by investing in illiquid assets. However, illiquid assets in DC pension schemes is a relatively new and developing area. Because of this we wish to see the further performance track record of illiquid funds available to DC schemes before we invest member assets in them. Therefore, at this time it is our policy not to invest in illiquid assets. However, with the support of our investment advisers, we intend to consider investment in illiquid assets as part of our regular reviews of the investment arrangements but we note that the context of this Plan makes this difficult.

Our key investment beliefs, which influence the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this
- climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term
- aligning our assets with net zero greenhouse gas emissions by 2050 where practicable is expected to help reduce the risks to the Plan from climate change

- to be effective, a net zero program needs to be consistent with climate science, with both short-term and long-term targets and a focus on real world impacts
- we believe that managers should engage with portfolio companies that have poor climate or ESG related practices, and then divest if they do not make sufficient improvements
- we are supportive of incorporating appropriate climate-related and ESG related exclusions within investment mandates, but would prefer to engage with companies that have poor ESG practices where practical
- voting and engagement are important and can create long term value which is in the best interest of Plan members and therefore we encourage managers to improve their voting and engagement practices
- collaborative investor action can help address systemic risks, for example we believe net zero alignment, if implemented well, could be an effective approach to addressing climate risk

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Part 3 of the SIP addendum.

We have signed agreements with two platform providers in respect of the DC and Hybrid Sections, who make available the range of investment options to members. There is no direct relationship between the Plan and the underlying managers of the DC and Hybrid Section investment funds.

The investment managers to whom discretion has been delegated exercise their powers to give effect to the principles in this SIP, so far as is reasonably practicable.

We have limited influence over the managers' investment practices where the Plan's assets are held in pooled funds, but we encourage the Plan's managers to improve their practices within the parameters of the fund they are managing.

For the segregated credit portfolio within the DB Section, the terms of our relationship with the investment manager are set out in a separate Investment

Management Agreement. This documents our expectations of the investment manager; alongside the investment guidelines it is required to operate under.

The investment guidelines are based on the policies set out in this SIP, where appropriate to the mandate. Following any relevant changes, the SIP will be shared with the investment manager and the investment guidelines will be updated (as required) as a result, ensuring the manager always invests in line with our policies.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers, where appropriate to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements. Generally, we are unlikely to terminate a mandate on short-term performance grounds alone.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

For the DB Section, when appropriate, we, on the administrator's recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg infrastructure). Our policy is outlined in a separate document.

For the DC Section including the lifestyle strategy, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

We have considered how ESG considerations (including but not limited to climate change) and ethical factors should be taken into account in the selection, retention and realisation of investments since we recognise that these factors can be relevant to investment performance and believe that the market may not appropriately price these factors.

We influence the Plan's approach to ESG and other financially material factors through our investment strategy and manager selection decisions.

We expect our investment managers to take account of financially material factors (including climate change and other ESG factors). We seek to appoint managers that have the skills and processes to do this, and from time to time review how the managers are taking account of these issues in practice. Over time, we may consider both active and passive managed funds which incorporate ESG factors, as well as specialist funds that treat ESG factors as a source of investment opportunities.

Our ambition is to align our assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

We encourage our managers to improve their ESG practices in line with our beliefs, although acknowledge that we have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their practices where appropriate.

We will consider long-term environmental, social and economic sustainability (including climate change) when making investment decisions, as we believe that investment actions have a real-world impact which collectively affect long-term performance, and that it is a socially responsible thing to do.

We do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments. However, the line between financial and non-financial factors is not always clear and some non-financial factors that may not immediately present as financially material may have the potential to become so in the future. We keep this under review as part of our overall assessment of ESG considerations.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of the Plan's members.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt, equity or real assets. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to us from time to time, taking into account the long-term financial interests of the beneficiaries. We will seek to appoint managers that have strong stewardship policies and processes reflecting, where relevant, the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time we will review how these are implemented in practice.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their

stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. These priorities are set out in Part 4 of the SIP addendum.

These priorities were chosen because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, we believe it is in its members' best interests that our managers adopt strong practices in these areas.

We review the themes periodically and update them if appropriate. We communicate these stewardship priorities to our managers and also confirm our more general expectations in relation to ESG factors, voting and engagement.