PPG Industries (UK) Limited Pension Plan
Statement of Investment Principles (SIP)

This statement sets out the Principles governing decisions about the investment of the assets of the Defined Benefit (DB) section of the PPG Industries (UK) Limited Pension Plan. The SIP for the Defined Contribution section is covered in a separate document.

The DB section of the Plan comprises two fully sectionalised Divisions namely:

1) Industries Division
2) Architectural Coatings (AC) Division

This statement is structured as follows:

- Section A sets out the investment principles specific to the Industries Division
- Section B sets out the investment principles specific to the AC Division
- Section C sets out the investment principles that are common to both Divisions of the Plan, including a summary of the Additional Voluntary Contribution (AVC) arrangements that are in place.

Section A – Industries Division

Investment Objective

The Trustee's aim is to invest the assets of the Industries Division prudently to ensure that the benefits promised to members are provided as they fall due. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Industries Division's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Industries Division's liabilities. The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which targets an expected return over the liabilities of + 1-3%whilst, at the same time, managing the investment risk profile.

STRATEGY

The asset allocation strategy chosen to meet the objective above is set out in the table below. The Trustee will monitor the actual asset allocation against the ranges set out in the tables in this section.

	Range **%**
Hedging Component [1]	25-75
Growth Component [2]	25-75

(1) Hedging Component is the liability matching portion of the assets.
(2) Growth Component is the return seeking portion of the assets.

Section B – AC Division

Investment Objective

The Trustee's aim is to invest the assets of the AC Division prudently to ensure that the benefits promised to members are provided as they fall due. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the AC Division's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the AC Division's liabilities. The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which targets an expected return over the liabilities of + 1-3% whilst, at the same time, managing the investment risk profile.

STRATEGY

The asset allocation strategy chosen to meet the objective above is set out in the table below. The Trustee will monitor the actual asset allocation against the ranges set out in the tables in this section.

	Range **%**
Hedging Component (1)	25-75
Growth Component (2)	25-75

(1) Hedging Component is the liability matching portion of the assets.
(2) Growth Component is the return seeking portion of the assets.

Section C – PPG Industries (UK) Limited Pension Plan

The overall investment policy for each of the Divisions is that:

- The Hedging Component is invested in a range of market instruments which protect that Division's funding level from changes in the level of long term interest rates and inflation, this is often referred to as Liability Driven Investment (LDI);

- The Growth Component is invested in a range of assets with the aim of providing additional return which will improve that Division's funding level.

The Divisions' strategies were decided following an asset-liability study for each Division and expert advice from the Trustee's Investment Adviser.

The allocation for each Division may vary over time as the Hedging Component aims to take into account the movement in the underlying value of the Divisions' liabilities whilst the Growth Component weighting will be affected by market prices of a broad range of asset classes.

The Trustee has placed some restrictions on the assets which can be held by the Manager.

DIVISION OF RESPONSIBILITIES

The Trustee is responsible for the investment of the Plan's assets. The Trustee makes some decisions itself and delegates others. The responsibilities of the Trustee and those delegated to the Funding & Investment Sub Committee (FISC) are outlined in the Terms of Reference for the FISC.

The Trustee has delegated certain decision making powers to Aon Investments Limited (AIL) (the "Manager"). The Trustee has taken advice from Aon Solutions UK Limited (the "Investment Adviser") regarding the suitability of the Manager in this capacity, and recognises that there exists a conflict of interest in taking this advice. The Trustee has appointed XPS (the "Fiduciary Reviewer") to provide a periodic independent review of the Manager.

The below table outlines the responsibilities of the Manager, the Investment Adviser and the Fiduciary Reviewer:

The Manager ▪ Decide on allocation to different asset classes ▪ Decide on Medium Term Asset Allocation (MTAA) biases in the strategy ▪ Decide on Liability Driven Investment (LDI) approach and structure ▪ Decide on LDI instruments ▪ Implement the investment strategy taking into account the limits and restrictions set ▪ Select and appoint fund managers ▪ Monitor fund managers ▪ Agree legal contracts with fund managers ▪ Implement disinvestment procedures, investment switches and rebalancing ▪ Report on asset performance against the liability benchmark and investment objective
Investment Adviser ▪ Advise on appropriateness of service provided by the Manager ▪ Advise on investment strategy ▪ Advise on the investment liability benchmark ▪ Advise on the Statement of Investment Principles ▪ Advise on direct investments ▪ Secretary to FISC
Fiduciary Reviewer ▪ Periodic review of the Manager

RISK

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to secure 100% of its liabilities ("funding risk"). This risk holds true both at the overall Plan level and within each of the sectionalised Divisions of the Plan. The Trustee has identified a number of risks which have the potential to cause deterioration in the Plan'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 Trustee and its advisers considered this mismatching risk when setting the investment strategies.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered both on the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). This risk was considered by the Trustee and their advisers when setting the Plan's investment strategy.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategies.

- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially).

The Trustee's intended policy is to monitor, where possible, these risks periodically. The Trustee receives quarterly reports for each Division of the Plan showing:

- Asset allocation.
- Overall performance versus the Plan's investment objective and liability benchmark.
- Any significant issues with the fund managers chosen by the Manager that may impact their ability to provide the service agreed by the Trustee.

IMPLEMENTATION

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the Manager through a written contract. When choosing investments, the Manager is required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Manager's duties also include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of fund managers; and
- Delegating voting and corporate governance as required for the underlying fund managers to meet the performance objectives of the investments they hold.

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Environmental, Social, and Governance ("ESG") considerations
The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustee considers these risks by taking advice from its investment adviser.

The Trustee has appointed AIL to manage the Plan's assets. AIL invests in a range of underlying investment vehicles.

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

- Where relevant, assess the integration of ESG factors in the investment process of underlying investment managers;

- Use its influence to engage with underlying investment managers to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

Stewardship – Voting and Engagement

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

The Trustee annually reviews the stewardship activity of the Manager to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustee receives annual reports on stewardship activity carried out by the Manager, these reports include detailed voting and engagement information from underlying investment managers.

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

- Ensure that (where appropriate) underlying investment managers exercise the Trustee's voting rights in relation to the Plan's assets; and
- Report to the Trustee on stewardship activity by underlying investment managers as required.

The Trustee will engage with the Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, 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 Trustee.

Where voting is concerned we would expect our underlying investment managers, to recall stock lending, as necessary, in order to carry out voting actions.

The Trustee may engage with the Manager, who in turn is able to engage with underlying investment managers, investee company 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. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

The Trustee has also summarised its beliefs around responsible investment issues through the following statements:

Trustee beliefs – current approach

- The Trustee expects Aon to consider ESG ratings and additional information to monitor the appropriateness of investment arrangements and where appropriate
- We expect underlying fund managers to consider ESG issues related to the companies or assets they invest in

Trustee beliefs – implementation

- We expect both Aon and underlying investment managers to integrate ESG considerations into the investment process
- We expect Aon to keep abreast of developments and emerging best practice on responsible investment issues and to manage the portfolios accordingly
- We will ask our advisers to provide regular updates on their responsible investment activities
- We will make our policies available to members

Trustee beliefs – environmental

- We believe that the Plan is exposed to the risks posed by climate change and it may impact the Plan's investments over its time horizon
- We recognise that it is possible to practically prepare for climate change and we expect both Aon and underlying investment managers to position assets accordingly where appropriate to do so

Trustee beliefs – social

- The Trustees expect, where appropriate, Aon will engage with underlying managers to consider the impact companies invested in have on customers and society
- The Trustees expect, where appropriate, Aon will engage with underlying managers to avoid investing in the most harmful companies

Trustee beliefs – governance

- We believe that poorly governed companies are more likely to underperform and that good stewardship can lead to better risk- adjusted returns
- We expect Aon to monitor the voting and engagement practices of underlying fund managers and to act on this information where appropriate

Members' Views and Non-Financial Factors

Whilst acknowledging the Trustee's fiduciary duty is to improve member outcomes, financial factors should not be the only concern when making investment decisions.

The Trustee will consider the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Arrangements with investment managers
The Trustee considers the Manager (AIL) to be their investment manager. References in this policy to 'underlying investment managers' refers to those investment managers which AIL in turn appoints to manage investment on behalf of the Trustee.

The Trustee recognises that the arrangements with the Manager, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that the Manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustee receives regular reports and verbal updates from the Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives, and assesses the Manager over long-term periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by the Manager, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Manager and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying investment managers to the Manager. The Manager monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of the Plan. This includes monitoring the extent to which the underlying investment 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 Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

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

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

There is typically no set duration for arrangements with the Manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying investment managers that the Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Transparency
The Trustee assesses the performance of their investment managers on a net of all costs basis and recognises that this provides an incentive on the Manager to control costs. However, they also believe that explicit, regular monitoring of the level and the trends of costs incurred will enhance those incentives.

The Trustee receives annual cost transparency reports from the 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 Plan;
- The fees paid to the Manager;
- The fees paid to the investment managers appointed by the Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Manager;
    - The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the 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 Plan.

The Trustee expects the Manager to provide full disclosure of costs including those incurred at the underlying manager level in line with prevailing regulatory requirements

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. The 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 Trustee.

The Trustee assesses the (net of all costs) performance of the Manager on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The remuneration paid to the Manager and fees incurred by third parties appointed by the Manager are provided annually by the Manager to the Trustee. This cost information is set out alongside the performance of the Manager to provide context. The Trustee monitors these costs and performance trends over time.

The Trustee benefits from the economies of scale provided by the Manager in two key cost areas:

- The ability of the Manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible;

Additional Voluntary Contribution Arrangements (AVCs)

Members could pay Additional Voluntary Contributions (AVCs) until the Plan closed to future accrual, to enhance their benefits at retirement. Members are offered a choice of funds in which to invest their AVC payments. The Trustee's objective is to provide vehicles that enable all members to generate suitable long-term returns, consistent with their reasonable expectations.

The Trustee considers that, in making a number of funds available, they have provided members with sufficient options to meet their reasonable expectations.

AVC Providers

The investment funds are managed by the following providers:

- ReAssure (ex L&G)
- Prudential
- Clerical Medical
- Aviva
- Utmost (ex Equitable Life)
- Phoenix Life (ex London Life)

The AVC arrangements are all closed to further contributions.

Review process

The appointment of the AVC Providers and the choice of AVC funds offered to members will be reviewed by the Trustee in accordance with their responsibilities, based on the result of their monitoring of performance and process. The Trustee will periodically review the appointment of the AVC Providers in light of the Providers' performance.

Performance of AVC Providers

The Trustee will measure performance of the AVC Providers in light of their investment performance relative to their respective benchmarks.

GOVERNANCE

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under 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 Trustee's 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 Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

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 Trustee (or, if more appropriate, the Manager/Adviser) 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

Relationship with advisers

The Plan's Investment Adviser has the knowledge and experience required under the Pension Act 1995. The Trustee expects the Manager to handle the assets delegated to them under the terms of the contract and to give effect to the principles in this statement as far as is reasonably practicable.

Aon Solutions UK Limited has been selected as the Investment Adviser to the Trustee.

Aon Solutions UK Limited is paid on a fixed fee arrangement for the work they undertake for the Trustee, as outlined in the services agreement between Aon Solutions UK Limited and the Trustee. Any out of scope work is agreed where possible, in advance with the Trustee. The Manager, AIL, is paid on an Ad Valorem and performance fee basis. This structure has been chosen to align the interests with those of the Plan.

The Trustee has appointed Bank of New York Mellon as the custodian of the Industries Division and AC Division. The custodian provides safekeeping for all the

Divisions' assets and performs the administrative duties including the collection of interest and dividends and dealing with corporate actions.

Review

The Trustee will review this Statement of Investment Principles at least every three years and following any significant change in investment policy of either Division. The Trustee will take investment advice and consult with the sponsoring employer over any changes to the Statement of Investment Principles.

June 2022