

Amari Plastics Plc Pension Scheme

Statement of Investment Principles – March 2023 (replaces December 2021)

1. Introduction

The Trustee Directors (“Trustees”) of the Amari Plastics Plc Pension Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation and regulation. The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. A separate document detailing the specifics of the Scheme’s investment arrangements has also been drawn up and is available on request.

In preparing this Statement the Trustees have consulted Amari Plastics plc as Scheme Sponsor.

2. Process for Choosing Investments

The Trustees have considered their objectives for investing the Scheme assets. They have considered their Investment and Funding objectives together to ensure that the two are compatible.

They have then constructed a portfolio of investments consistent with these objectives and which they hope will deliver the maximum level of return (net of all costs) for the level of risk taken (taking into account practical limitations on the overall complexity of arrangements).

In doing so the Trustees take into account what they believe to be financially material considerations, which can include risk and return expectations as well as Environmental, Social and Governance (“ESG”) issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme over the Trustees’ investment time horizon. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Scheme 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).

3. Investment Objectives

The investment objectives set out here are those that the Trustees determine to be financially material considerations in relation to the Scheme.

The Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees’ primary objectives are as follows:

- Ultimately, to secure all liabilities through the purchase of a bulk annuity;

- To improve the financial position of the Scheme through investment returns, to the point where the first objective can be achieved within an appropriate timeframe without recourse to additional contributions;
- To limit the amount of investment risk that is being run to the level that is considered necessary in order to achieve the level of investment return that is required, and to do this through gradual de-risking of the assets when the funding position permits it.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades), although opportunities for risk transfer (e.g. by purchase of bulk annuities) could reduce the time horizon materially. The Trustees have not set a formal target for risk transfer but anticipate that it may already be affordable.

In setting these objectives the Trustees have taken into account the Sponsor's ability to make contribution payments and attitude towards the size and incidence of these payments, and have taken into account the corridor agreement which specifies actions to be taken in the event that the funding level of the Scheme falls below 90% or exceeds 110% on a technical provisions basis.

4. Risk Management and Measurement and Financially Material Considerations

There are various risks to which any pension Scheme is exposed which are considered to be financially material to the Scheme over its anticipated lifetime. The Trustees' policy on risk management and measurement is as follows:

The Trustees recognise that whilst increasing risk may increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover changes in the Scheme's accrued liabilities especially over the short to medium term. The Trustees have taken advice on the matter. They recognise that they are reliant on the Sponsor to rectify a deterioration in the value of assets relative to the value of the liabilities, as assessed on the Trustees' funding basis.

The Trustees recognise there are other risks including the following listed along with the steps taken to manage them:

- Risks may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation policy in place results in an adequately diversified portfolio.
- Liabilities may increase due to a fall in long term gilt yields and/or a rise in inflation expectations. The Trustees aim to "hedge" a proportion of this risk, through investment in assets which will also increase in value in response to such changes, including Gilts, Liability Driven Investments ("LDI" - Geared Gilts and related instruments) and corporate bonds. "Target" hedge levels are set out in Section 6.
- Large short term gilt yield movements may lead to LDI capital calls that exceed the Scheme's ability to meet them within the required timeframe. The Trustees manage this via choice of LDI provider and through maintaining sufficient capital buffer with the LDI manager to withstand material movements.
- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. They recognise that the use of an

active Investment Manager involves such a risk. Section 5 sets out the Trustees' policy for mitigating this risk.

- The risk that a change in strategy will be implemented when the markets being sold/bought are temporarily low/high. This is managed by implementing change when supported by the Scheme's funding level and by setting limits to the size of any one trade.
- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme;
- The Trustees receive regular reports from the Scheme's managers and investment adviser. Combined with regular meetings of an investment subcommittee this allows the Trustees to check that nothing has occurred that would bring into question the continuing suitability of the current investments;
- The safe custody of the Scheme's assets is delegated to professional custodians either directly or via the use of pooled vehicles.
- Considerations specific to Environmental, Social and Governance ("ESG") issues are addressed in section 11.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered, in particular whether the current asset mix remains appropriate.

5. Portfolio Construction

The Trustees have adopted the following principles subject to the provisions of the Trust Deed & Rules:

- There is potentially a role for both active and passive management. **Passive management** involves employing investment managers to deliver a return equal to a chosen benchmark appropriate to the asset class held. **Active management** involves employing investment managers who aim to outperform a benchmark but with a risk that they will underperform. By employing both the Trustees can take advantage of active management where they believe it is likely to lead to outperformance net of fees, while using passive management in other areas to control overall manager risk and to manage overall fee levels.
- **Specialist managers** are preferred over generalists because of the potential to access a higher level of expertise.
- At the total Scheme level investments should be broadly **diversified** to ensure there is not a concentration of exposure to any one issuer, to the extent that this is not protected (e.g. by collateral, such as interest rate swaps). This restriction does not apply to investment in UK Government debt. Appropriate diversification between markets will also be ensured where appropriate.
- The amount invested in **illiquid investments** will take into account the implications of not being able to readily liquidate a proportion of the Scheme's investment on the operation of the Scheme.

- Investment in **derivatives** is permitted directly or within pooled funds for risk reduction purposes or to facilitate efficient portfolio management. Investment in derivatives may imply an element of gearing and the Trustees will take steps to ensure such gearing is kept within reasonable limits.
- Investment may be made in securities that are not traded on **regulated markets**. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing risk (including risk reduction achieved through creating diversity) or to facilitate efficient portfolio management. In any event the Trustees will ensure that the assets of the Scheme are predominantly invested on regulated markets.
- **Borrowing** is permitted subject to consent from the Sponsor. However, the Trustees would not expect to borrow other than to cover short term liquidity requirements.

6. Investment Strategy

Following on from funding level improvements over 2022 the Trustees agreed an investment strategy in line with the table below.

	Growth assets (%)	Risk reduction assets* (%)	Target interest rate / inflation hedge (%)**
Target	-	100	Minimum of 95

* Includes an allocation to corporate bonds with the balance held in gilts and/or comparable low risk investments.

** Measured on a gilts flat basis.

A more detailed split of assets including individual manager discretions is set out in the Investment Policy Implementation Document. Actual hedge ratios may vary from target due to market/liability movements and will be reviewed periodically.

7. Day-to-Day Management of the Assets

The Trustees delegate the day to day management of the assets to a number of investment managers in accordance with Section 5 and detailed in the Investment Policy Implementation Document. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

The Trustees have determined, based on expert advice, a benchmark mix of asset types and ranges within which each appointed investment manager may operate.

The Trustees regularly review the continuing suitability of the Scheme's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time.

8. Expected Return

The actual return expected from the Scheme assets will depend upon the investment strategy in place as set out in 6. above. At the time of drawing up this Statement Mercer advise it is reasonable to expect returns from corporate bonds of 1.0% p.a. above gilts, although this is not guaranteed and performance may differ especially in the short term.

9. Additional Assets

Some members of the Scheme hold AVCs, which are invested and used to increase pension benefits at retirement, or in the event of death. The Trustees establish the arrangements under which these contributions are invested, taking advice from Mercer.

10. Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

The Trustees have a policy in place to manage the Scheme's cashflows between the appointed managers and between asset classes as set out in the Investment Policy Implementation Document. Within individual mandates, the investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments subject to the relevant appointment documentation and pooled fund prospectuses.

11. ESG, Stewardship (including Engagement Activities) and Climate Change

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a financially material impact on investment returns 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 the day-to-day management of the assets to investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights (if any) 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, as appropriate. Although the Scheme no longer invests in equity, the above also applies to debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

As part of the Trustees' ongoing review of its investment managers it will review how ESG, climate change and stewardship are integrated within the investment managers' investment processes and in the monitoring process. The managers are expected to provide reporting on a regular basis where relevant, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon footprinting and/or climate scenario analysis for diversified portfolios. The Trustees will also monitor investment manager engagement activity where appropriate at least annually.

12. Non Financial Matters

Non-financial matters (as defined in the relevant regulations) are not taken into account when determining investment policy. Member views are not actively sought. The Trustees would review this policy in response to significant member demand.

13. Investment Manager Arrangements

Aligning Investment Manager Appointments with the Trustees' Investment Strategy, including incentivisation of a suitably medium to long term focus, and duration of appointments:

Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark. For "buy & maintain" credit appointments the Trustees make a general assessment of ongoing risk (including defaults) relative to the yield obtained over gilts (credit spread).

The Trustees seek expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation and business management, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

The Trustees invest in multi-investor pooled investment vehicles and accept that they have little or no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. They will therefore select vehicles that best align with the Trustees' own policy in terms of investment objectives and guidelines (as set out in relevant governing documents) and, once appointed, will review the appointment should there be any material changes in these terms. They also hold units in a bespoke pooled fund shared with other "sister" pension schemes and will have greater ability to specify risk and return targets.

The Trustees make appointments with the view to them potentially being long term (to the extent this is consistent with the Trustees' overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at short notice.

For each appointment retention is dependent upon the Trustees having ongoing confidence that the investment manager will achieve its investment objective. The Trustees make this assessment taking into account various factors which includes performance to date as well as an assessment of future prospects.

Investment managers are therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustees' policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.

Performance Assessment & Fees

The Trustees receive reporting on asset class and investment manager performance on a regular basis, via a combination of formal independent reports and presentations from the investment managers.

Investment returns (and volatility) are measured on both an absolute basis and relative to one or more suitable benchmarks and targets. Returns are considered net of fees and ongoing transaction costs.

As well as assessing investment returns the Trustees will consider a range of other factors, with the assistance of their investment adviser, when assessing investment managers, which may include:

- Personnel and business change
- Portfolio characteristics (including risk and compatibility with objectives) and turnover
- Voting and engagement activity
- Service standards
- The adviser's assessment of ongoing prospects based on their research ratings

The majority of investment managers are typically remunerated by way of a fee calculated as a percentage of assets under management. For liability hedging a fee is payable calculated as a percentage of the hedged exposure. In each case, the principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive their fee in full. The Trustees will consider any performance related fees on a case by case basis and would also consider requesting fee reductions. Investment managers are not remunerated based on portfolio turnover.

Portfolio Turnover Costs

Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate.

The Trustees have not historically monitored investment managers' ongoing transaction costs explicitly but measure these implicitly through ongoing performance assessments which are net of these costs. The Trustees will seek explicit reporting on ongoing costs for all appointed managers.

The Trustees do not monitor regular cashflow costs (but seek to minimise them through ongoing cashflow policy). The Trustees monitor the costs of implementing strategic change via their investment consultant.

14. Compliance with this Statement

The Trustees will monitor compliance with this Statement annually. The Trustees will periodically check that the investment managers have given effect to the investment principles in this Statement and the Investment Policy Implementation Document so far

as reasonably practicable and relevant to them, and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

15. 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 believe 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.

Roger Goddard

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Name Signature

For and on behalf of the Trustee of the Amari Plastics Plc Pension Scheme