

CHAIR'S ANNUAL STATEMENT

Atlas Converting Equipment Ltd Retirement & Death Benefits Scheme

For the year ended 31 December 2023

The Trustee is pleased to provide this Statement which gives you information about the governance of the Atlas Converting Equipment Ltd Retirement & Death Benefits Scheme ('the Scheme') and explains how we have looked after the Scheme during the year which ended on 31 December 2023.

The Trustee is currently exploring options so that the Chair's Statement is made to view online on a publicly available website.

Background

The Scheme is a defined contribution arrangement insured by Aviva Life and Pensions UK Limited ('Aviva'). Aviva undertakes all the necessary services to operate the Scheme, including investment management, administration, and member communications.

The Scheme closed the new entrants with effect from 1 May 2014 but has been used as a Qualifying Scheme for auto-enrolment purposes for members who joined before that date.

The Trustee has selected a life insurance arrangement with Aviva, and all members are invested into the Aviva Traditional with Profits fund. The majority of the Scheme's members are paid up and are entitled to receive Guaranteed Annuity Rates at retirement. There are a relatively small number of active members invested in the fund that do not have Guaranteed Annuity Rates.

The purpose of this Statement

Statutory governance requirements apply to defined contribution ('DC') pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Scheme is required to produce a yearly statement to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- the requirements for processing financial transactions; and
- the level of the Trustees' knowledge and understanding.

This statement covers the period from 1 January 2023 to 31 December 2023.

The statement complies with the statutory requirements as set out in the relevant legislation and regulatory guidance. Principally, in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended).

This statement should be read in conjunction with the Scheme's Statement of Investment Principles (SIP) from August 2024, which is also appended to this statement in **Appendix B**. The SIP is subject to regular review by the Trustee, and the Trustee is currently exploring options so that the SIP is made freely available to members of the Scheme on a public facing website.

Default investment arrangements

The only fund made available to members is the Aviva Traditional With-Profits Fund.

The Trustee did not undertake an investment review in the Scheme Year.

The Trustee monitors the performance of the investment fund on an ongoing basis, no less frequently than annually. Given the existence of Guaranteed Annuity Rates and Guaranteed Investment Returns under the With Profits Fund, the Trustee has never considered it appropriate to change the investment strategy.

Previously, the Trustee has reviewed the position of the active members in the Scheme, who are not entitled to receive Guaranteed Annuity Rates, with a view to potentially offering these members the opportunity to transfer to an alternative pension scheme arrangement. The last review conducted in February 2019 concluded that no changes should be made to the active members' holdings. This is principally because there would be a significant detrimental impact if contributions were ceased before Normal Retirement Age (NRA), with potentially valuable guarantees in the form of bonuses being surrendered on transfer.

Investment Returns

The investment returns, net of all fees borne by members of the Scheme, are provided in the table below for the Scheme's current arrangements in the period to 31 December 2023.

Fund	1 Year	3 Year (% p.a.)	5 Year (% p.a.)
Aviva Traditional With Profits Fund	9.8%	2.9%	4.4%

Source: Aviva

The performance and charges data in this statement complies with the requirements of the statutory guidance.

Default Strategy Asset Allocation

The Trustee is required to disclose the full asset allocations of investments for each default strategy. The table below shows the percentage of assets allocated in the Aviva Traditional With Profits Fund to specified asset classes as at 31 December 2023. We have provided this information in line with statutory guidance:

Asset Class	Allocation
Cash	0.3%
Listed Equities	49.3%
UK Equities	17.1%
Developed Market Equities	32.2%
Bonds	27.6%
Fixed interest government bonds	7.3%
Corporate and other bonds	20.3%
Private Equity	0.0%
Infrastructure	0.0%
Property / Real Estate	16.0%
Private Debt / Credit	0.0%
Other (including Alternatives)	6.8%
TOTAL	100.0%

Source: Aviva.

Core financial transactions

During the year the Trustees delegated the day-to-day administration of the Scheme to Aviva. The core financial transactions include:

- Investment of contributions paid to the Scheme
- The transfer of assets relating to members in to and out of the Scheme
- The transfer of assets relating to members between different investments within the Scheme
- Payments from the Scheme to, or in respect of, members

The administrator has adopted a number of processes to ensure core financial transactions are processed promptly and accurately:

- Processes and procedures are in place to ensure all work is done within any agreed SLA.
- Aviva has provided the Trustee with a written statement of how it maintains appropriate governance and administration standards.

The Trustee is satisfied that over the period covered by this statement:

- The administrator was operating appropriate procedures, checks and controls and operating within its standard SLAs;
- There have been no material administration errors in relation to processing core financial transactions; and
- All core financial transactions have been processed promptly and accurately during the Scheme year.

Charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs.

The stated charges also include any costs, e.g. administration and investment costs, where members incur these costs.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. Transaction costs arise as a result of buying and selling the funds' underlying investments in order to achieve their investment objective or to raise or invest cash.

Aviva does not deduct an explicit charge from members' accounts, but instead the expenses of running the scheme are taken into account when declaring the annual bonus rates on the With Profits Fund.

Aviva has provided information that shows the administration cost of running the fund is 0.65% per annum, and transaction costs in 2023 were 0.09%.

The Trustee deems these costs to be appropriate given the nature of the Scheme and the valuable guarantees that are a feature of the Aviva With-Profits Fund.

Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of an investment fund can reduce the amount available to the member at retirement.

In **Appendix A** of this statement, the Trustee has set out illustrations of the impact of charges and transaction costs. The illustrations have been prepared in accordance with the statutory guidance on the projection of an example member's pension savings.

Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of 'good value', but the Trustee considers that it broadly means "that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market".

The Trustee has undertaken a formal value for members assessment for the Scheme year.

This assessment concluded that there are alternative arrangements in the market that have lower charges, better recent investment returns and would offer members a greater engagement and communication support. However, the Trustee believes that the guarantees applying to the Aviva Traditional With-Profits Fund also provide 'value for members' and hence concluded that it would not be appropriate to wind-up the Scheme at the present time. The Trustee will keep this position under review.

Communicating with members

The Trustee has delegated the preparation of communication materials to Aviva. However, the Trustee does maintain an involvement, including:

- The Trustee endeavours to provide Scheme communication that is accurate, clear, understandable and engaging.
- The Trustee, with its advisers, carefully consider all member communications and review common communications periodically.
- The Trustee works closely with the Scheme advisers to try to ensure members' interests are understood and represented in all decision making.
- The Trustee issues annual benefit statements to members, which includes information on how members can access this Chair's Statement that sets out details of the default investment fund, charges, transaction costs and how these represent value for members, and investment fund performance
- Ad hoc announcements are sent periodically as the Trustee deems necessary.

Knowledge and understanding of the Trustees

The Trustee believes that given the nature of the Scheme, and the support offered by the insurer and its advisers, it has largely adopted the standard of good practice as set out in the DC Code of Practice and regulatory guidance.

The Trustee is conversant with the Trust Deed and Rules, the Statement of Investment Principles and other documents related to the Scheme.


Given the nature of the Scheme, the Trustee believes that in combination with the support of its advisers it has the relevant knowledge and skills to manage the arrangement in a proportionate way for the benefit of the members.

Signed

Name

Position

Date


ALAN JOHNSON
MANAGING DIRECTOR.
26/9/24.

Appendix A Illustration of the impact of costs and charges on projected fund values

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

To reflect the majority of the Scheme's membership, for these illustrations we have assumed that all members are deferred and therefore no further contributions from the Employer or Employee are being made.

Administration costs are paid out to the investment fund manager for services involved with the management of the fund. In addition, the fund has incurred transaction costs. The level of these combined charges affects the final fund value.

The default option invests in the Aviva Traditional With Profits Fund to retirement, although expected investment returns and charges will differ to the illustrations set out below.

A summary of the charges and the expected investment returns used in these illustrations is shown below. Meanwhile, the illustrations of the projected retirement fund values are provided for the "average" and "youngest" member ages and starting fund values.

The value of the projected retirement fund values is in today's terms. These figures have been reduced to reflect the effect of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

Years to retirement	Default Section			
	Youngest Member – Aged 28		Average Member – Aged 54	
	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted
37	£3,000	£3,000	n/a	n/a
30	£3,956	£3,768	n/a	n/a
20	£5,873	£5,218	n/a	n/a
15	£7,155	£6,140	n/a	n/a
11	£8,381	£6,994	£24,000	£24,000
10	£8,718	£7,226	£24,967	£24,794
5	£10,623	£8,503	£30,421	£29,177
0	£12,943	£10,006	£37,065	£34,336

Notes

1. Projected retirement fund values are shown in today's terms and do not need to be reduced further for the effect of inflation, which is assumed to be 2.50%.
2. The starting retirement fund value is assumed to be £24,000 for the average member and £3,000 for the youngest member.
3. For the default option, the average age is assumed to be 54 and the youngest age is assumed to be 28. The Normal Retirement Age (NRA) is assumed to be 65.
4. No further contributions are assumed.
5. Values shown are estimates and not guaranteed.
6. The projected gross (before charges and inflation) growth rate for the Aviva Traditional With Profits Fund is 5.9%.

Appendix B Statement of Investment Principles

Introduction

This Statement of Investment Principles has been drawn up by the Trustee of the Atlas Converting Equipment Ltd Retirement & Death Benefit Scheme ("The Trustee", "The Scheme") in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004, the Occupational Pension Plans (Investment) Regulations 2005, the Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This Statement will be reviewed by the Trustee at least every three years and immediately following any significant change in investment policy.

The Statement is published and is freely available to members of the Scheme.

The Decision-Making Process

The Scheme

The Scheme is a wholly insured arrangement via a policy held with Aviva Life and Pensions UK Limited ("the Insurer").

The Trustee

The investment of the Scheme's assets is the responsibility of the Trustee, and the Scheme Rules give the Trustee broad powers on investment.

The Trustee's policy is to seek professional advice on investment strategy, and the Trustee recognises that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

In determining their investment strategy, the Trustee addresses the following:

- the need to consider a full range of asset classes
- the risks and rewards of a range of alternative asset allocation strategies
- the suitability of each asset class
- the need for appropriate diversification
- the options made available by the Insurer

The Investment Consultant

Broadstone Financial Solutions Limited ("Broadstone") is the Investment Consultant to the Trustee, on the basis that their representatives are reasonably believed by the Trustee to be suitably qualified by their ability in, and practical experience of, financial matters and have the appropriate knowledge and experience of the management of the investments of such schemes.

The Employer

The Trustee will consult with the Employer as part of the process for deciding on their investment strategy.

Delegation

The Trustee has a policy of delegating all day-to-day powers of investment to Aviva Life and Pensions UK Limited (the 'Insurer') as well as the underlying investment managers within the fund who are all authorised and regulated by the Financial Conduct Authority.

Investment Objectives

Funding Objective

The Scheme is a contracted-in Money Purchase Scheme, and the primary purpose of the Scheme is to provide retirement and death benefits in respect of Members of such companies and firms that participate in the Scheme, as set out in the Trust Deed and Rules.

Investment Objectives

The Trustee's objectives with regard to investing Scheme assets are to deliver growth for the members over the lifetime of the investment, and also provide the Guaranteed Annuity Rates at retirement where applicable.

Investment Strategy

The Employer established the Scheme with the Insurer and selected the chosen investment approach at the outset. The Trustee has decided to maintain the life insurance arrangement with the Insurer, and all members are invested into the Aviva Traditional With Profits fund. The assets are generally considered readily realisable.

Since members have not made an active decision to invest in this fund this is otherwise known as the 'default option'. The Trustee deems this to be suitable for all investors with Guaranteed Annuity Rates attached to their policy as this can be a valuable monetary benefit.

The reasons for using a wholly insured arrangement of this form is that it provides:

- Access to a diversified range of investments including equities, government bonds, corporate bonds, property, alternatives and cash.
- Full delegation of asset allocation to a professional fund manager, which is expected to offer a smoothed investment return over time, mitigating the impact of shorter-term volatility in returns to which the Scheme would otherwise be exposed.
- Potentially valuable guaranteed levels of investment return, and also potentially valuable guaranteed annuity rates that can be used to secure members' pension benefits via an insurance policy when they retire.
- Other services, e.g. administration services, within a single product and cost structure.

There are however a relatively small number of active members invested in the fund that do not have Guaranteed Annuity Rates, and the Company is considering reviewing this situation with a view to potentially offering these members the opportunity to transfer to an alternative pension scheme arrangement.

The Trustee last reviewed the wholly insured arrangement with the Insurer in February 2019. The Trustee will, in any case, continue to periodically, review whether the above reasons for using a wholly insured arrangement remain valid and will consider other options for the Scheme, as necessary.

Illiquid Investments

The Scheme does not directly invest in illiquid assets, although the underlying investment manager of the Aviva Traditional With Profits Fund has the discretion to make an allocation to this type of asset.

Due to the nature of the 'insured' benefits being taken, the Trustee considers that a future direct illiquid allocation is unlikely, however will continue to monitor market and regulatory developments in relation to illiquid funds.

Insurer Structure

Insurer

The Trustee utilises Aviva to invest the assets of the Scheme. The Insurer is regulated under the Financial Conduct Authority.

The Trustee has decided to invest in a with-profits arrangement. The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.

The Trustee has decided to invest in this fund because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- the fund allows the Scheme to invest in a wider range of assets which serves to reduce risk; and
- the fund has underlying investment guarantees that are a valuable benefit to members, which would be lost by moving to an alternative approach

The Insurer has appointed custodians to hold the underlying securities backing the with-profits fund. The fund is also protected by the Financial Services Compensation Scheme.

Risks

The Trustee recognises that a number of risks are involved in the investment of the assets of the Scheme. They have identified the following risks which have the potential to reduce the return achieved on the assets. These are as follows:

- **Insurer Risk:** The Trustee has considered the financial security of the Scheme's arrangements with the Insurer, together with its status as a regulated firm, and consider the associated protection offered as a policyholder to be reasonable and appropriate.
- **Custodian Risk:** The risk of a failed or inadequate performance by the custodian, as determined by the Insurer.

The policy of the Trustee is to monitor, where possible, these risks on a regular basis and no less frequently than annually. The Trustee therefore considers:

- Insurer investment performance against broader market returns.
- Any significant issues with the financial stability of the Insurer that may impact its ability to achieve returns at the same level as the broader market.

Environmental, Social and Governance (ESG)

The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects the Insurer and the underlying Investment Managers,

when exercising discretion in investment decision making, to take financially material ESG factors into account.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the Insurer and underlying Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee cannot exercise its responsibilities directly as it does not hold investments in its name. The Trustee expects the Insurer and underlying Investment Managers to exercise voting rights on all resolutions at annual and extraordinary general meetings of companies. The Trustee expects the underlying Insurer and Investment Managers to report to it on the implementation of, and any changes to, their policies on voting and engagement.

The Trustee expects the Insurer and underlying Investment Managers to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. The Trustee will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the underlying Investment Managers' voting and engagement policy and summary reports detailing the engagement and voting activity undertaken by the Investment Manager.

Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Insurer and underlying Investment Managers. The Trustee expects the extent to which the underlying Insurer and Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

Conflicts of Interest

The Trustee does not maintain a separate conflicts of interest policy and register; however, potential conflicts of interest are recognised and considered on an ad hoc basis as they arise.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Insurer, while also setting out a process for their management.

Incentivisation of Insurer

The Insurer is remunerated by deducting investment expenses and normal administration expenses from the returns declared by the With-Profits Fund for each calendar year.

The Trustee does not directly incentivise the Insurer to align the approach they adopt with the Trustee's policies and objectives. Instead, the Insurer and the investments are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither does the Trustee directly incentivise the Insurer to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issuers to improve their

performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the arrangement.

Portfolio Turnover Costs

The Trustee expects the Insurer to change underlying holdings only to an extent to meet their investment objectives. The reasonableness of such turnover will change according to the Insurer's view of market conditions.

The Trustee therefore does not set a specific portfolio turnover target for their strategy or the underlying investments.

The Insurer provides information on portfolio turnover and associated costs to the Trustee so that this can be monitored, as appropriate.

The Trustee is a long-term investor and has not set an explicit target to review the duration of their arrangements with the Insurer. However, the arrangements will be reviewed in conjunction with any review of investment strategy.

Signed:



Date: 26/9/24.

Approved by the Trustee of the Atlas Converting Equipment Ltd Retirement & Death Benefit Scheme