



Atlas Converting Equipment Ltd Retirement & Death Benefit Scheme

Statement of Investment Principles

August 2024

1 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.

2 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.

3 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.

4 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.

5 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.

6 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.

7 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.

8 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.

9 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.

10 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.

11 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:

26/19/24.

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