

Survitec Group Money Purchase Pension Scheme

Statement of Investment Principles – September 2020

1. Introduction

The Trustees of the Survitec Group Money Purchase Pension Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (as amended) (the “Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustees’ investment responsibilities are governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with the sponsoring Company (“the Company”) to ascertain whether there are any material issues that the Trustees should be aware of when agreeing the Scheme’s investment arrangements.

2. Investment Objectives, Choosing Investments and Risk

The Trustees recognise that members have differing investment needs and that these may change during the course of members’ working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should, where possible, make their own investment decisions based on their individual circumstances and investment knowledge. However, the Trustees also recognise that some members will not make their own investment decisions.

As such the Trustees have adopted the following objectives:

- Offer funds which facilitate diversification and long-term capital growth.
- Offer funds that enable members to reduce risk in their investments as they approach retirement, relative to the benefits that they intend to take at retirement.
- To maintain the purchasing power of members’ savings (i.e. reduce the inflation risk that investment returns fail to keep pace with wage and/or price inflation over the long term).
- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
- To restrict the number of funds to avoid unnecessarily complicating members’ investment decisions.
- To provide a default investment option for members who do not select their own investment funds. The objectives of the default investment option are to facilitate diversification and long term capital growth, and to reduce risk as a member approaches retirement. The Trustees consider that this strategy currently reflects the broad objectives of the “average” member, but acknowledges that it may not be appropriate for all members.

In arriving at these objectives the Trustees have considered the following risks:

- i. That inadequate investment returns lead to a low level of pension.
- ii. That relative market movements, particularly in the years close to retirement, lead to a reduction in members' expected capital and / or pension and / or cash lump sum.
- iii. That active investment managers can underperform markets.
- iv. Environmental, social and corporate governance (ESG) risks. ESG factors present financially material risks for companies and investors. These risks can take many forms but are often operational and/or reputational in nature.
- v. Climate change risk. Climate change is a systemic risk which may materially affect the financial performance of certain asset classes, sectors and companies.

The Trustee undertakes to review the Scheme's fund choices offered to members and the investment manager arrangements on an ongoing basis.

3. Day to Day Management of the Scheme's Assets

The Trustees have selected Mercer Workplace Savings ("MWS") as the platform through which to provide a retirement savings scheme to members. The strategic rationale for MWS is to aim for, via more effective governance, better member outcomes than is currently the case with typical arrangements within the defined contribution market. Through MWS the Trustees believe that they are able to offer best in class investment options under a structure that is flexible to take into account future developments in the design and delivery of defined contribution investments.

Within the MWS solution, the Trustees have contracted with Aviva to administer investment management services through their platform.

Mercer are regulated by the Financial Conduct Authority. Aviva are regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

4. Investment Funds

The Trustees believe that the investment strategy outlined in this section is appropriate for meeting the investment objectives outlined above.

Default option

In addition to the Trustees' objectives (covered in section 2), the Trustees consider that:

- The default lifestyle strategy's "growth" phase structure, which invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that the default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate.
- Based on the Trustees' understanding of the Scheme's current membership profile, an investment strategy that targets full cash withdrawal at retirement is likely to meet

a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement – it merely determines the investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or choosing their own self-select investment strategy.

- Assets in the default lifestyle strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels), and any investment in derivative instruments contributes only to risk reduction, or efficient portfolio management.
- Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

The Trustees will continue to review the default strategy over time, at least triennially, or after significant changes to the Scheme's demographic profile.

Structure of the default option

Members will be invested in the dynamically managed Mercer Growth Fund during the growth phase.

The investment of the members' assets will be moved to a Target Cash Retirement Fund based on their selected retirement date. For those members who do not select a retirement date, the Scheme's normal retirement date will be used.

Under the default strategy, the Target Cash Retirement Fund gradually switches members into 100% cash / money market instruments at the point of retirement.

As with the Mercer Growth Fund, the Target Cash Retirement Fund is dynamically managed.

Alternative lifestyle profiles

To cater for members who plan to either purchase an annuity at retirement or opt for income drawdown, alternative lifestyle profiles are available.

For these profiles, members will again be invested in the Mercer Growth Fund during the growth phase. The investment of the members' assets will then be moved to a Target Annuity Fund or a Target Drawdown Fund based on their selection (members may also split their funds across different options) and their planned retirement date. For those members who do not select a retirement date, the Scheme's normal retirement date will be used.

The Target Annuity Retirement Fund gradually switches members into an asset allocation of 75% Pre-Retirement Fund (which seeks to broadly match movements in the price of non-inflation linked annuities) and 25% cash / money market instruments (to match tax free cash benefits).

The Target Drawdown Retirement Fund gradually switches members into 75% Diversified Retirement Fund (designed to be a suitable asset mix for members planning to enter into income drawdown) and 25% cash / money market instruments (to match tax free cash benefits).

The Target Annuity and Target Drawdown Funds are dynamically managed.

Self-select funds

The Trustee offers members range of funds along the risk / return spectrum. These are detailed below.

Risk Profiled Funds	
Mercer Defensive / Lower Risk*	
Mercer Moderate Growth / Moderate Risk*	
Mercer Growth / Balanced Risk*	
Mercer High Growth / Higher Risk*	
Target Retirement Funds	
Mercer Cash Retirement Funds*	
Mercer Target Annuity Retirement Fund*	
Other Stand-alone Funds	
Passively managed	Actively managed
Mercer Passive UK Equity	Mercer Active UK Equity
Mercer Passive Overseas Equity	Mercer Active Global Equity
Mercer Passive Shariah	Mercer Absolute Return Fund
Mercer Passive Emerging Markets	Mercer Cash
Mercer Passive Fixed-Interest Gilts	
Mercer Passive Index-Linked Gilts	

*These funds use passive underlying building blocks, but with active asset allocation.

5. Social, Environmental and Ethical Considerations and Exercise of Voting Rights

The following encapsulates the Trustees' ESG beliefs:

- The Trustees believe that environmental, social, and corporate governance factors can have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.
- The Trustees also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration within the investment decision making process.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights 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. Managers are also expected to be signatories to the United Nations-supported Principle for Responsible Investment (PRI) unless a suitable reason is provided for not being. As the assets of the Trust are invested in wholly insured arrangements with investments in pooled vehicles the Trustees accept that the assets are subject to the investment fund managers' own policies in this area.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers.

The Trustees consider the investment consultant's assessment of how each investment manager embeds ESG factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy, noting that the selection of managers has been delegated. This includes the investment managers' policy on voting and engagement. The Trustees have set a target that all equity investment managers be highly rated by Mercer for ESG integration and active ownership with a minimum rating of ESG3 or better, where possible. Monitoring is undertaken on a regular basis and is documented at least annually.

The Trustees will engage with the provider and the investment managers as appropriate, and will ask investment managers to include appropriate risk metrics within their portfolio reporting within the framework of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

The Trustees also periodically reviews the appropriateness of offering individual ESG or sustainable investment choices available to members.

6. Arrangements with Asset Managers

Alignment with the Trustees' Policies

The Trustee delegates the day to day management of the assets, including selecting managers, to Mercer. These selections are made based on the managers' capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Mercer's manager research

rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustees invest in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustees' policies set out in this Statement.

The underlying investment managers are expected to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. The extent of this will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Delegated Investment Manager engages with investment managers on this activity and if dissatisfied will look to replace the manager.

Evaluation and Remunerations

The Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The Trustees also rely upon Mercer's manager research capabilities that back the delegated manager selection process. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for members' assessment to ensure they continue to represent value for members.

The Trustees are reliant on Mercer to choose to terminate the relationship with any managers if Mercer believes it is in the best interest of the fund which ultimately affects the members.

Portfolio Turnover Costs

Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

Duration of the arrangements

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis. There is therefore no set duration for manager appointments. The Trustees will retain an investment manager unless:

- There is a change to the overall investment strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustees have decided to terminate the mandate.

All of the funds are open-ended with no set end date for the arrangement. The fund range and default strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

7. Realisation of Investments

The appointed investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments.

8. Compliance with this Statement

The Trustees of the Scheme, Aviva and Mercer each have duties to perform to ensure compliance with this Statement. These are:

The Trustees will review this Statement on the advice of the Scheme's consultants every year or more frequently if circumstances dictate. If the Statement is revised, the Trustees will provide Aviva with the revised Statement.

Aviva, providers of the Scheme's investment platform, will supply the following information to allow Mercer to prepare quarterly reports to the Trustees:

- A valuation of all investments held for the Scheme;
- Records of all transactions; and,
- A review of performance.

Mercer, the Scheme's consultants, will provide appropriate advice to allow the Trustee to review and update this Statement annually (or more frequently if required).

Signed on behalf of

The Trustees of the Survitec Group Money Purchase Pension Scheme

Name: Aimee Denham Date: 29 September 2020

Signed: A Denham on behalf of 20-20 Trustee Services Ltd