

British Polythene Pension Scheme (the “Scheme”)

Statement of Investment Principles (the “Statement”)

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. A separate document, the Investment Policy Implementation Document (“IPID”), detailing the specifics of the Scheme’s investment arrangements is available upon request.

The effective date of this Statement is 30 September 2020. The Trustee will review this Statement annually, and without delay after any significant change in investment policy, and will review the Scheme’s investment strategy no later than three years after the effective date of this Statement.

Consultations made

The Trustee has consulted with the principal employer, British Polythene Industries Limited (the “Company”), prior to writing this Statement and will take the Company’s comments into account when it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Scheme. It has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited (“Aon”) who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Scheme’s assets has been delegated to investment managers that are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed, is available to the members of the Scheme and will be published on a publicly accessible website.

Objectives and policy for securing objectives

The Trustee’s primary objectives for setting the investment strategy of the Scheme are set out below:

- **Long-term goal** – in the very long-term the Trustee expects to secure the Scheme liabilities with an insurance company. At present, given the aspirational nature of this goal the Trustee intends to aim for a long-term target that is consistent with a low risk investment approach.
- **Intermediate funding objective** – in the short to medium term the Trustee is focused on meeting the funding target described in the Statement of Funding Principles. This target allows for investment returns being generated in excess of those available on low-risk matching assets, and so the Trustee recognises that investment risk must be taken to achieve and maintain this objective.
- **Risk control** – the Trustee wishes to achieve the required returns to meet the funding objective within a risk controlled manner. To do this the Trustee monitors the value at risk of the investment strategy against specific target levels.

The investment strategy chosen by the Trustee aims to maximise the likelihood of achieving these objectives. The Trustee recognises that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater risk control, but may provide a return that is insufficient to meet the funding objective. The Trustee also recognises that in resolving this conflict, it is necessary to accept some risk. The Trustee takes the outlook for financial markets into account when considering the risk it is prepared to accept.

Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes. Day-to-day selection of stocks is delegated to investment managers appointed by the Trustee. As regards the review and selection of its investment managers, the Trustee takes expert advice.

Assets held to cover the Scheme's liabilities are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested mainly in pooled vehicles which are regulated. Within these funds the assets are predominantly invested on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The balance between different kinds of investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. It therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee reviews its investment strategy following each triennial actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

Investment risk measurement and management

The key investment risks are recognised as arising from investment strategy, employer failure, investment managers and cashflow risks. These are discussed below. The Investment Sub-Committee has a key focus on the management of these risks.

Investment strategy risks

The key investment strategy risks are recognised as arising from asset allocation. These risks, and the continued appropriateness of the existing investment strategy, are assessed triennially in conjunction with the formal actuarial valuation of the Scheme. The Trustee may additionally agree, on occasion, to assess the asset allocation risks in more detail.

As part of each annual funding assessment, the Trustee checks the funding and investment strategy remains on target to achieve the Trustee's objectives within acceptable parameters. If not, then corrective action is considered. Additional funding assessments will be carried out, as the Trustee deems appropriate.

Employer failure risks

Risks associated with the employer's covenant are assessed in conjunction with each triennial actuarial valuation of the Scheme by obtaining detailed information from the employer and monitored through regular financial reports from the employer.

The Trustee also has an agreement with the employer to receive notification of any events, which have the potential to alter the creditworthiness of the employer. In particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-

related Notifiable Events. On receipt of such notification, the Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

Investment manager risks

The Trustee regularly monitors and reviews the risks arising through its selection of investment managers.

The investment performance of the selected managers is monitored on a monthly basis by the Investment Sub-Committee and on a quarterly basis via quarterly investment monitoring reports prepared by Aon at Trustee Board level. Investment performance targets and risk levels for the Scheme's investment managers are detailed in the Appendix to this Statement. The Trustee acknowledges that investment returns achieved which are outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher (or lower) level of risk than indicated.

The continued suitability of the selected investment managers is kept under regular review. The Trustee has appointed Aon to alert them to any matters of material significance that might affect the ability of its appointed managers to achieve their performance objectives. The Trustee will also meet with its appointed managers if alerted to any potential issues by Aon.

Cash flow risks

Cash flow risk arises from the need to realise assets in the short term. If realisations of investments in order to meet the benefit outgo were to be made at a time when prices are depressed this could reduce the likelihood of meeting the primary objectives. To minimise this, the Trustee and its advisers have implemented a cashflow management strategy using asset income and Company contributions which will manage the Scheme's cash flow requirements carefully over the medium term.

Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the Scheme's assets. The custodians are independent of the employer.

The Trustee has directly appointed JP Morgan as a custodian which is independent of both the asset manager and the employer to manage the segregated account with Schroders. This allows the pooled liability driven investment portfolio to be managed to a Scheme specific liability cashflow benchmark.

Expected returns on assets

Over the long-term the Trustee's expectations are:

- for the "matching" assets to achieve a rate of return which is broadly in line with changes of the Scheme's liabilities before any allowance for outperformance.
- for the "growth" assets to achieve a return which exceeds that of the matching assets. In so doing the Trustee is willing to incur short-term volatility in "growth" asset price behaviour.

Returns achieved by the Scheme managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and fund managers.

Realisation of investments/liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

In particular, careful consideration has also been given to the need to have readily liquid assets available to supplement the cash backing the equity derivatives and pooled liability driven investment funds, should this be necessary. Consequently, a significant portion of the assets held are realisable at short notice (through the sale of units in pooled funds or of liquid assets held in segregated accounts).

Environmental, Social, and Governance considerations

The Trustee acknowledges that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of its delegated responsibilities, the Trustee expects the Scheme's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a quarterly basis.
- The Trustee will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on an annual basis. Should the Scheme look to appoint a new manager, where relevant and appropriate, the Trustee will request this information as part of the selection process. All responses will be reviewed and monitored with input from Aon as the Scheme's investment adviser.

Stewardship - Voting and Engagement

The Trustee recognises the importance of its 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 Scheme invests. The Trustee recognises that ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme's appointed asset managers and take advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

Where voting is concerned the Trustee expects its asset managers, to recall stock lending as necessary, in order to carry out voting actions.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

The Trustee does not specifically take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations) in the selection, retention and realisation of investments. The Trustee will review its policy towards this on an annual basis.

Arrangements with Investment Managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which 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.

The Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives quarterly reports and verbal updates from its investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives, and assess the asset managers over 3-year periods.

The Trustee also receive annual stewardship reports on the voting and engagement activities carried out by its asset manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this Statement, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new investment 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 so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectation to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers 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 investment managers are 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 first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Monitoring of Investment Manager Costs

Understanding Costs

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its asset managers that can increase the overall cost incurred by its investments.

The Trustee collects annual cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers. The Trustee works with its investment adviser and investment managers to understand these costs in more detail where required.

Evaluation of Performance and Remuneration

The Trustee assesses the performance of its investment managers on a quarterly basis and the remuneration of its investment managers on at least an annual basis via collecting cost data in line with the CTI templates.

Portfolio Turnover Costs

The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to its underlying investments through the information provided by its investment managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the Scheme's investment adviser.

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. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee is supported in its cost transparency monitoring activity by its investment adviser.

Ongoing Reporting

The Trustee will provide reporting on the implementation of the Scheme's cost transparency policy to the Scheme's members via the annual engagement statements. This will include:

- A comprehensive breakdown of the Scheme's costs by investment manager and cost type.
- A review of any changes in cost trends over the last year and an explanation for any changes.
- An update on any changes to the Trustee's cost transparency policy.

Additional Voluntary Contributions (“AVCs”) arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Effective decision making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice received. The Trustee receives regular investment training from its investment advisers and also investment managers in order to make informed decisions.

The Trustee will discuss all investment decisions regarding strategy and manager structure with assistance from the Scheme's investment advisers, before decisions are taken.

Approved and agreed by BPI Pension Trustees Limited as Trustee of the British Polythene Pension Scheme, 23 September 2020