Survitec Group Pension Scheme
Statement of Investment Principles – October 2021

1. **Introduction**

The Trustee of the Survitec Group Pension Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The Statement is intended to affirm the principles that govern the Trustee's decisions about the Scheme's investments.

In preparing this Statement, the Trustee has consulted the sponsoring Company ("the Sponsor") to ascertain whether there are any material issues that the Trustee should be aware of when agreeing the Scheme's investment arrangements.

2. **Investment Objectives**

The Trustee's investment objectives are as follows:

- To ensure that it can meet its obligations to the Scheme beneficiaries as they fall due.
- To protect and build on, via a combination of funding and investment returns, the Scheme's current funding position on its Technical Provisions (TP) funding basis.
- To achieve a comfortable funding position under the TP basis that enables the Scheme to follow a low-risk investment strategy that minimises the risk of further unexpected funding being required from the Sponsor because of investment-related risks.

3. **Process for Choosing Investments**

The Trustee, in consultation with Mercer, retains direct responsibility for the design of the Scheme's investment strategy but delegates the day-to-day management of the Scheme's assets and the implementation of its investment strategy to Mercer.

In considering the appropriate investments for the Scheme and its objectives the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Scheme 36 of the Pensions Act.

Risk Management and Measurement

The Trustee's policies on risk management are as follows:

- The primary risk upon which the Trustee focuses is that arising from the mismatch between the Scheme's assets and its liabilities. In consultation with Mercer and the Sponsor, the Trustee sets the Scheme's asset allocation such that mismatch risk is considered reasonable in the context of the covenant of the Sponsor and such that expected return to be generated from this risk is sufficient to meet the objectives outlined in Section 2.

- The Trustee recognises the risk that arises from the lack of suitable diversification. Subject to managing the risk from a mismatch of assets and liabilities, Mercer, on the Trustee's behalf, aims to ensure that the asset allocation in place results in an adequately diversified portfolio.

- To achieve an appropriate level of diversification within each asset class, the Trustee invests the Scheme's assets in specialist pooled fund vehicles that are managed by Mercer.

- The Trustee recognises that there is a risk that the active day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management.

- To assist the Trustee in ensuring the continuing suitability of the Scheme's investment manager arrangements the Trustee delegates responsibility for the appointment, removal and ongoing monitoring of the investment managers appointed to manage the assets of the pooled fund vehicles to Mercer. To help diversify manager specific risk, where it is appropriate to do so, Mercer makes multiple manager appointments within the pooled vehicles on the Trustee's behalf.

- Investment may be made by the investment managers in securities that are not traded on regulated markets. Recognising the liquidity and counterparty risks associated with such investments, the Trustee expects that such investments will normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. The Trustee delegates to Mercer the responsibility for ensuring that the assets of the Scheme are predominantly invested on regulated markets.

- Responsibility for the safe custody of the Scheme's assets is delegated to Mercer who currently appoint State Street Custodial Services (Ireland) Limited ("State Street") as global custodian of the assets invested in the pooled fund vehicles.

- To assist the Trustee in monitoring whether the investment risks taken, and returns achieved, are consistent with those expected, Mercer provides the Trustee with regular reports on the Scheme's funding position, its asset allocation (and any changes to it) and on the underlying investment managers appointed.

4. Investment Strategy

The Trustee's current investment strategy is to invest 12.5% of the Scheme's assets in a diversified portfolio of growth fixed income assets with the balance invested in a liability Matching portfolio designed to control the majority of the interest and inflation rate risk inherent in the Scheme's liabilities.

The Trustee has put in place with Mercer rebalancing ranges around the Growth and Matching portfolios to ensure the Scheme's assets remain invested in line with the target strategy. The ranges have been designed to ensure that unnecessary transaction costs are not incurred by excessive rebalancing.

Should there be a material change in the Scheme's circumstances the Trustee will advise Mercer who will review whether and to what extent the investment arrangements in place at that time should be altered; in particular, whether the strategy in place remains appropriate.

The investment strategy is formally reviewed by the Trustee with the assistance of Mercer on a broadly annual basis to ensure that it remains appropriate and the Trustee will consult with the Sponsor on the result of such reviews.

5. Expected Investment Return

Under the strategy in place the Trustee expects the overall return on the Scheme's investment strategy (net of fees) to be of the order of 0.3%p.a. in excess of the portfolio of gilts that matches the Scheme's liabilities.

6. Day-to-Day Management of the Assets

The Trustee has delegated day-to-day management of the assets to Mercer who in turn delegate responsibility for the investment of the assets to a range of underlying investment managers. Mercer is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to agreed constraints imposed by Mercer.

The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and experience to choose and combine the underlying investment managers and ensure that they are fit to manage the Scheme's investments. Mercer is regulated by the Financial Conduct Authority.

The Trustee, with the assistance of an expert third party, regularly reviews the continuing suitability of the Scheme's investments, including Mercer's ability to select, appoint, monitor and remove the appointed managers.

7. Performance Objectives and Risk

Under the strategy in place the Trustee expects the overall return on the Scheme's investment strategy (net of fees) to be of the order of 0.5%p.a. in excess of the portfolio of gilts that matches the Scheme's liabilities with a measured risk of c. 1.5%p.a. That is, in two years out of every three, the Trustee expects the return on the Scheme's assets relative to the gilt portfolio to be within the range 0.5% +/- 1.5% (-1.0% to +2.0%).

8. Realisation of Investments

Mercer and the underlying investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

9. Additional Assets

Scheme members' additional voluntary contributions (AVCs) are invested in with-profits policies (with Standard Life and Prudential) or in unit-linked policies (with Prudential and Clerical Medical) or in a building society deposit account (with Nationwide). Other Scheme assets relate to uninvested cash, which is retained in a Trustee bank account for the day-to-day management of the Scheme.

The Scheme also consists of a Defined Contribution Section and the Trustee has prepared a separate Statement for this element of the Scheme's assets.

10. ESG, Stewardship and Climate Change – Trustee's Beliefs and Policies

The Trustee believes that good stewardship and the incorporation of environmental, social, and corporate governance (ESG) factors into its investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme's assets over the medium and longer term. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustee's explicit consideration.

Given these beliefs, the ESG expertise and capabilities of Mercer are key considerations of the Trustee when reviewing Mercer's ongoing fiduciary management appointment.

The Trustee expects the third party asset managers appointed by Mercer, via its associate Mercer Global Investments Europe (MGIE), to manage the Scheme's assets to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website.

To monitor whether the Scheme's assets are being managed in line with the Trustee's beliefs and policies, the Trustee reviews the following reporting from Mercer on a regular basis:

- UK Stewardship Code Review – this annual review assesses each third party equity manager's compliance against the seven principles of the UK Stewardship Code.

- Stewardship Monitoring Report – these regular reports assess each third party equity asset manager's record of executing and disclosing voting activity, and the extent to which each manager is engaging with the underlying companies in which they invest.

- ESG ratings – these ratings for part of Mercer's quarterly reporting and provide an assessment of the degree to which Mercer believes ESG considerations have been embedded into a third party asset manager's investment philosophy and process.

- Carbon Footprint and Climate Scenario Modelling analysis – this analysis compares the carbon intensity of Mercer equity portfolios relative to appropriate benchmarks and considers the impact of differing climate change models on portfolio performance.

The Trustee has considered, and will continue to consider, including specific sustainability themed investment opportunities within its investment strategy.

MGIE sets the appointed third party asset managers restrictions in relation to particular products or activities. The Trustee reviews MGIE's exclusion policy on a regular basis.

Investment Restrictions

The Trustee has not set any investment restrictions on Mercer, MGIE or the third party asset managers in relation to particular products or activities but may consider this in the future where it is practicable to do so.

Member Views

Scheme member views are not taken into account by the Trustee in the selection, retention and realisation of investments.

How the Trustee incentivises its asset managers to, 1) make portfolio selection decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt/equity and, 2) engage with issuers to improve their performance in the medium to long term

The responsibility for making portfolio selection decisions based on assessments of the medium to long-term financial and non-financial performance of issuers of securities are made by the third party asset managers that are appointed by MGIE. The Trustee is aware that Mercer or MGIE do not make such investment decisions.

In appointing third party asset managers, the Trustee expects that MGIE will select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party asset managers' compliance with this expectation, the Trustee *c*onsiders regular reports from Mercer that include an assessment of each third party asset manager's voting and engagement activity.

The Trustee uses this monitoring to identify actions taken by the third party asset managers that appear out of line with the Trustee's policies. In doing so the Trustee seeks to understand the reasons for an asset manager's actions and what, if appropriate, steps have been taken by MGIE and/or the manager to address the issue. Such steps could include a decision by MGIE to terminate an asset manager's appointment.

Should the Trustee consider that MGIE has failed to take appropriate steps to appoint third party asset managers that are consistent with the Trustee's policies, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Trustee's approach to evaluating its asset managers' performances, and how it remunerates its asset managers, is aligned with the Trustee Directors' policies

All asset manager fees are based on a percentage of the value of assets under management. The Trustee monitors, and evaluates, the fees it pays for all asset management services on an ongoing basis. In doing so, the Trustee considers the degree to which asset manager performance and actions has been consistent with the Trustee's policies. The Trustee believes that its policies will improve the performance of the Scheme's assets over time and thus the current fee arrangements, all other things remaining equal, align the interest of the third party asset managers with the Trustee.

In evaluating performance, the Trustee will consider both financial and non-financial issues based on reports produced by Mercer. From the reports, the Trustee expects to see evidence, as a result of actions taken by Mercer, MGIE and the third party asset managers, of an improving trend in the stewardship and sustainability of the issuers of the assets held by the Scheme. Such evidence could be improving compliance by the third party asset managers with the UK Stewardship Code Review or a Mercer Fund's reducing carbon footprint relative to its peers and/or a specified benchmark.

Should the Trustee's monitoring conclude that it sees no evidence of an improving trend in the stewardship and sustainability of the assets held in the Mercer Funds, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Trustee monitors portfolio turnover costs and how it defines and monitors portfolio turnover/turnover targets

The Trustee does not set explicit portfolio turnover ranges for the overall Scheme's assets or individual Mercer Funds. However, in order to avoid excessive dealing in the Scheme's underlying assets, and encourage the asset managers to adopt a longer-term investment time horizon when selecting investments, investment performance is considered by the Trustee net of all transaction costs. Further, MGIE considers portfolio turnover as part of its monitoring of the asset managers in order to ensure that such activity remains consistent with the asset managers' stated investment approaches.

For some Mercer Funds, the Trustee notes that MGIE, where it believes it appropriate for the mandate, actively encourage the third party asset managers to adopt a "buy and maintain" investment approach by making long-term investments in the debt of issuers, thus reducing portfolio turnover and turnover costs.

The duration of the Trustee's arrangements with its asset managers

There are no duration limits to the Trustee's arrangements with Mercer and MGIE and MGIE does not put in place duration limits for the third party asset managers it appoints to manage the assets of the Mercer Funds. The Trustee will continue to retain Mercer as long as it believes it is in the best interests of the Scheme and expects MGIE to adopt the same approach when managing the Mercer Funds.

11. Fee Structures

Mercer levies a fee (plus VAT where applicable) based on a percentage of the value of the assets under management which covers the design and annual review of the investment strategy, and investment management of the assets. In addition, the underlying managers also levy fees based on a percentage of the value of the assets under management. Some of the underlying managers may also levy fees based on their performance.

13. Review of this Statement

The Trustee will review this Statement at least once every year and immediately after any significant change in investment objectives or policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes 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.

Antony Miller

October 2021

For & on behalf of 20-20 Trustee Services Limited, the Trustee of the Survitec Group Pension Scheme