

Simpson Label Company Limited Pension Scheme

Investment Policy Statement

June 2022

Preface

Scheme background

This Investment Policy Statement (the 'IPS') details the principles governing investment decisions for the Simpson Label Company Limited Pension Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants and is closed to future accrual.

Buck Consultants (Administration & Investment) Limited ("Buck") are investment consultants to the Trustee.

Regulatory requirements and considerations

The Scheme has less than 100 members and as such the Trustee is exempted from the legislative requirements of the Pensions Act 1995 (and subsequent legislation), to prepare and maintain a statement of investment principles. This IPS is not intended to fully comply with the legislative requirements applicable to larger schemes.

This IPS reflects the Pensions Regulator's investment guidance for trustees running schemes that offer defined benefits issued in March 2017 and subsequently updated.

The Trustee is responsible for all aspects of the operation of the Scheme including this IPS.

In agreeing their investment strategy, the Trustee has had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee will consider those requirements on any review of this IPS or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.
- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustee has considered the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustee's approach to investment matters within the AVC arrangements is included within this IPS.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this IPS.

Consultation

The Trustee has obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation

(or revision) of this IPS and has consulted Simpson Label Company Limited ('the Sponsoring Employer'). However, it should be noted that neither the Trustee (nor any investment manager to whom it has delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

Review

The Trustee will review this IPS at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities.

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Investment Policy Statement

Investment governance structure

All investment decisions are taken by the Trustee. The Trustee will undertake training where appropriate to ensure the Trustee has the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee without constraint by the Sponsoring Employer. The Trustee will consult with the Sponsoring Employer when changing this IPS.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. A policy contract has been provided by the investment platform provider. The investment arrangements are reviewed from time-to-time to ensure that the manner in which investments are made on behalf of the Trustee is suitable for the Scheme, and appropriately diversified.

Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustee having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Scheme's liability profile along with the level of disclosed surplus or deficit and the Sponsoring Employer's covenant assessed to be afforded to the Scheme.

The agreed investment strategy is based on an analysis of the Scheme's liability profile, the required investment return and the returns expected from the various asset classes over the long-term.

The Trustee's primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve long-term growth sufficient to provide the benefits from the Scheme.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits reflective of the Sponsoring Employer support provided to the Scheme.

The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the appendices of this IPS.

In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details of these managers are included in the appendices of this IPS.

The Trustee is responsible for reviewing both the Scheme's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme's investment consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The Trustee considers the Scheme's current strategic asset allocation to be consistent with the current financial position of the Scheme. This assessment has been updated with reference to the Technical Provisions set out in the Scheme's Statement of Funding Principles following completion of the 6 April 2021 actuarial valuation. "Technical provisions" is the value of the Scheme's liabilities for funding purposes as at the latest available Scheme-specific actuarial valuation date, being 6 April 2021.

The Trustee's policy in relation to the kinds of investments to be held

The Trustee has full regard to their investment powers as set out in Clause 6 of the Trust Deed and Rules dated 13 April 1959 (as amended).

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Scheme. The Scheme invests in pooled funds and cash. The Trustee has made the decision to invest the majority of assets in pooled funds because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustee to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

The Trustee's policy in relation to the balance between different kinds of investments

The selected investment managers will hold a diversified mix of investments in line with their agreed benchmarks and within their discretion to diverge from the benchmarks. Within each major market, each manager will maintain a diversified portfolio of securities. Full details are set out in Appendix 1 of this IPS.

The Trustee's policy in relation to the expected return on investments

The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach and then maintain a fully funded status under the agreed assumptions.

The Trustee's policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the investment managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate.

The Trustee's policy in relation to financially material considerations

The Trustee expects its investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustee may review, from time to time, the investment managers' policies in respect of financially material considerations.

The Trustee's policy in relation to the extent to which non-financial matters are taken into account

The Trustee's objective is that the financial interests of the Scheme members is their first priority when choosing investments. The Trustee has decided not to take members' preferences into account when considering these objectives.

Risk capacity and risk appetite

The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Scheme including control ranges for each asset class and or geographic region (see Appendix 1).

Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers are given full discretion over the choice of stocks and are expected to maintain a diversified portfolio.

The Trustee is satisfied that the investments selected are consistent with its investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

Given the size and nature of the Scheme, the Trustee has decided to invest the Scheme's assets on a pooled fund basis. All such investments are effected through a policy of insurance with the investment platform provider.

The Trustee is satisfied that the range of vehicles in which the Scheme's assets are invested provides adequate diversification.

The Trustee's policy in relation to risks

The Trustee considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustee has considered the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining its investment strategy, the Trustee received advice from the investment consultant as to the level of investment risk relative to the Scheme's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 of this IPS has been adopted.

Although the Trustee acknowledges that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustee undertakes monitoring of the investment managers' performance against their respective targets and objectives on a regular basis.

Each fund in which the Trustee invests has a stated performance objective against which investment performance will be measured. These are shown in Appendix 1. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Trustee. Any deviation from the target asset allocation will be discussed periodically between the Trustee and the investment consultant.

Stewardship in relation to the Scheme's assets

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through its investment managers.

The Trustee's policy in relation to engagement and monitoring (including peer to peer engagement)

The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and it expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustee's policy in relation to voting rights

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights.

Investment management monitoring

The Trustee will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee with the assistance of the investment consultant.

The investment platform provider will provide the Trustee with quarterly statements of the assets held along with a quarterly performance report.

The investment platform provider will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

The Trustee receives an independent investment performance monitoring report from the investment consultant on an annual basis.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of investment managers.

The Trustee's policy in relation to its investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment managers to align their investment strategy and decisions with the Trustee's policies**

The Trustee has delegated the day-to-day management of the Scheme's assets to investment managers, accessed through an investment platform arrangement. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee for their services. A fee is also payable to the investment platform provider. The Trustee believes that as both the investment managers and investment platform provider receive fees, this incentivises them to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustee, in conjunction with its investment consultant, selects its investment managers and chooses the specific pooled fund to use in order to meet specific Scheme policies. It expects that its investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee has decided not to take non-financial matters into account when considering its policy objectives.

- **How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustee's investment policies**

The Trustee expects its investment managers to invest the assets within their respective portfolios in a manner that is consistent with the guidelines and constraints set out in the fund documentation. The Trustee reviews the investment managers and the investment platform provider periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that an investment manager is no longer managing the assets in line with the Trustee policies it will make its concerns known to the investment manager or platform provider and may ultimately disinvest.

The Trustee pays its investment managers a management fee, via their investment platform arrangement which is a fixed percentage of assets under management. A separate fee is also payable to the platform provider which is a fixed percentage of assets.

Prior to agreeing a fee structure, the Trustee, in conjunction with its investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager and the investment platform provider.

- **How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how it defines and monitors targeted portfolio turnover or turnover range**

The Trustee, in conjunction with its investment consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Scheme.

The Trustee expects turnover costs of the investment managers to be in line with its peers, taking into account the style adopted by each investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

The Trustee does not in general enter into fixed long-term agreements with its investment managers or investment platform provider and instead retains the ability to change investment manager or investment platform provider should their performance and processes deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the managers adhering to their

stated policies, and the continued positive assessment of their ability to meet their performance objective.

Employer-related investments

The Trustee will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, is monitored. The Trustee has delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investments held to the investment managers.

Additional voluntary contributions (AVCs)

The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Scheme for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustee, having taken appropriate written advice from their investment advisers.

The Trustee has made an AVC arrangement with Royal London Mutual Assurance Society available to members.

Annuity policies

Annuity policies are held with Prudential (previously Royal London Mutual Assurance Society) to cover pensions in payment in respect of certain members. These annuities have been purchased from certain members' additional voluntary contributions.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this IPS:

- The investment consultants are Buck Consultants (Administration & Investment) Limited.
- The investment managers are detailed in the Appendices to this IPS.
- The investment platform provider is Mobius Life Limited
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this IPS.
- The Scheme Actuary is David Jones.

Trustee

The Trustee's primary responsibilities include:

- The preparation of this IPS, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The IPS will also be reviewed following a significant change to investment strategy and/or the investment managers.
- Appointing investment consultants, investment managers and an investment platform provider as necessary for the good stewardship of the Scheme's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Assessing the processes and the performance of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this IPS and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustee in the preparation and periodic review of this IPS in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustee.
- Advising the Trustee on the selection and review of investment managers and the investment platform provider.
- Providing training or education on any investment related matter as and when the Trustee sees fit.

- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment Platform Provider

The main responsibilities of the investment platform provider include:

- Providing access to a range of funds provided by various managers.
- Ensuring that investment of the Scheme's assets is compliant with prevailing legislation.
- Providing the Trustee with quarterly reports including any change to their investment process.
- Informing the Trustee of any changes in the fee structure, internal performance objectives and guidelines of any pooled funds used by the Scheme as and when they occur.
- Assistance with audit and regulatory reporting as required.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their respective portfolios in a manner that is consistent with the guidelines and constraints set out in their Fund documentation.
- Ensuring that the investment of the assets within their portfolios are compliant with prevailing legislation.
- Considering financially material risks affecting investments within their portfolios.
- Exercising voting rights on shareholdings within their respective portfolios in accordance with their general policies.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustee in balancing short-term and long-term investment objectives.

Compliance

This IPS is not intended to comply with all legal requirements relating to the content of a formal statement of investment principles. However the Trustee has considered these requirements in the preparation of this statement.

The IPS is intended as an internal reference document only and is not intended to be made available to members. However, the Trustee will share this with the Sponsoring Employer and may share this with other parties as appropriate.

This IPS, taken as a whole with the Appendices, supersedes all previous statements of investment principles and was approved by the Trustee on 01 June 2022.

Appendix 1 – Strategic benchmark and objectives

Scheme's target asset allocation

The Scheme's target asset allocation is tabulated below:

Asset type	Investment style	Allocation (%)	Control range (%) +/-
Multi-Asset Credit	Active	40.0%	8.0%
Absolute Return Bonds	Active	20.0%	4.0%
Return enhancing		60.0%	12.0%
LDI	Passive (Mechanistic)	33.0%	6.0%
Cash	Passive	7.0%	2.0%
Risk Reducing		40.0%	12.0%
Total		100.0%	

The target asset allocation and control ranges shown above are indicative of how the Scheme is expected to be invested in usual conditions. However, some deviations from this may occur in order to meet the underlying Trustee objectives e.g. The assets held in cash may be used to meet cashflow requirements or to receive cash distributions from the LDI funds, as agreed by the Trustee from time to time.

The asset allocation is expected to provide a hedge ratio for the Scheme of approximately 100% of funded liabilities on both interest rate and inflation fluctuations. The allocation to LDI funds and the hedge ratio will be reviewed from time to time as decided by the Trustees.

The allocation to absolute return bonds is used to support LDI capital calls.

Annuities have been excluded from the asset allocation as they relate to benefits secured by AVCs.

Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme is invested are outlined below:

The Trustee has implemented its strategy through an investment platform, under which it gains access to the following funds through a Life Policy issued by Mobius Life Limited.

Fund	Benchmark index	Objective % p.a.
M&G Total Return Credit Fund	1-Month SONIA	To outperform 1-Month SONIA by 3-5% gross of fees p.a. over a market cycle.
LGIM Absolute Return Bond Fund	ICE BofA SONIA 3-Month Constant Maturity Total Return	To outperform the ICE BofA SONIA 3-Month Constant Maturity Total Return by 1.5% gross of fees p.a. over a rolling 3yr basis.
BMO LDI Short Profile Nominal Dynamic LDI Fund	Gilts and Swap comparators	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.
BMO LDI Short Profile Real Dynamic LDI Fund	Gilts and Swap comparators	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.
BMO LDI Nominal Dynamic LDI Fund	Gilts and Swap comparators	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.
BMO LDI Real Dynamic LDI Fund	Gilts and Swap comparators	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.
LGIM Sterling Liquidity Fund	SONIA	Provide diversified exposure and a competitive return in relation to SONIA.

*The overall performance objective is for the Scheme's assets to outperform the combined benchmark by approximately 0.9% p.a. (net of fees) over rolling three-year periods.

Appendix 2 – Fees

Investment manager fees

Fund	Investment style	Management fee % p.a.
M&G Total Return Credit Fund	Active	0.400
LGIM Absolute Return Bond Fund	Active	0.250
BMO LDI Short Profile Nominal Dynamic LDI Fund	Active	0.265
BMO LDI Short Profile Real Dynamic LDI Fund	Active	0.265
BMO LDI Nominal Dynamic LDI Fund	Active	0.265
BMO LDI Real Dynamic LDI Fund	Active	0.265
LGIM Sterling Liquidity Fund	Passive	0.050

The above fees are as at 1 June 2022 and may change from time to time. The above fees exclude additional expenses associated with the operation and management of the funds.

Investment platform fees

The Scheme uses Mobius Life as its investment platform provider, which charges the following additional fees on top of the respective management charges shown above:

- non LDI funds: 0.05%
- LDI funds: 0.075% p.a.

The above fees are as at 1 June 2022 and may change from time to time.

Investment consultancy fees

The investment consultant provides agreed services based on a fixed percentage of the assets of the Scheme, payment of which is made directly to the investment consultant by the investment platform provider. The current level of the ad valorem fee is 0.19% p.a. of assets (plus VAT).

Additional projects will be provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.