ESSENTRA PENSION PLAN (THE "PLAN")

ANNUAL GOVERNANCE STATEMENT FOR THE PLAN YEAR ENDING 5 APRIL 2022

PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996 (THE "REGULATIONS")

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1. **Introduction**

1.1 Regulations effective from 6 April 2015 require the Trustee to prepare a statement showing how it has met governance standards in relation to defined contribution ("DC") benefits under the Plan. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The DC benefits under the Plan include both the DC Section and the DC Additional Voluntary Contributions ("AVCs") in the Final Salary ("DB") Section of the Plan.

1.2 The statement covers six principle areas:

1. *The default investment arrangement*
2. *Core financial transactions*
3. *Charges and transaction costs*
4. *Value for Members' assessment, and*
5. *Long-Term Net Investment Return*
6. *The Trustee's compliance with the statutory knowledge and understanding ("TKU") requirements.*

As Chair of the Trustee, it is my pleasure to report to you on how the Trustee has embedded these standards over the period from 6 April 2021 to 5 April 2022.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need financial advice, a list of independent financial advisers can be obtained on-line at www.moneyhelper.org.uk. If you choose to use a financial adviser, please be sure to check their area of expertise and their charges before making any commitments.

This statement will be published on a publicly available website: www.essentraplc.com/responsibility/environment/pensions

2. **Default Investment Arrangement in the Money Purchase Section**

A copy of the Plan's latest Statement of Investment Principles ("SIP"), dated 10 September 2020 is appended to this document. A copy of the SIP is also available website in the website: www.essentraplc.com/responsibility/environment/pensions

2.1 The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. The SIP covers our aims and objectives in relation to the default investment arrangements as well as our policies relating to matters such as risk and diversification. In addition to the default funds, the SIP and accompanying Investment Policy Implementation Document ("IPID") cover alternative investment choices available under the Plan, covering a range of funds that our members can choose which was designed with their needs in mind.

The most recent review of the Plan's default investment arrangement was carried out during the previous Plan year and undertaken on 8 September 2020. Following this review, the Trustee decided to make no changes to the investment allocation of the default investment arrangement (a lifestyle targeting cash at retirement). The Trustee agreed to amend the drawdown lifestyle to include a specialist fund, the LGIM Retirement Income Multi-Asset ("RIMA") Fund, aimed at targeting drawdown. This fund has also been added to the self-select fund range. The implementation of this specialist drawdown fund took place during the year in June 2021.

2.2 The default investment arrangement follows a pre-set investment route that transitions members' savings over the 5 years prior to the specified retirement date from a Growth fund (a combination of global equities and a diversified fund) to the Liquidity Fund (cash, 100% at retirement).

2.3 The growth phase of the default lifestyle invests predominantly in equities, with modest allocations to property, bonds and cash. Overall these investments are expected to provide long term growth with some protection against inflation erosion, albeit with volatility. As members' funds grow, investment risk will have a greater impact on outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over the five-year period prior to a member's retirement date.

2.4 Investments are switched into 100% cash to match the targeted retirement outcome. Given the size of most members' DC pot at retirement, their links to the DB section of the Plan, and looking at how members have been taking benefits at retirement, the Trustee believe this is the most appropriate target for members at the current time.

2.5 The Trustee understands the requirement to carry out an investment strategy review regularly and at least every three years. The next investment strategy review will be carried out in the third quarter of 2023.

3. Core Financial Transactions

3.1 As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately. This includes:

- Investment of contributions paid to the Plan by members and their employers;
- Transfers of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan, and;
- Payments from the Plan to, or in respect of, members.

3.2 The Trustee operates measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) are processed promptly and accurately. Core financial transactions for the Plan continued to be processed promptly and accurately during the Plan year, with Barnett Waddingham processing 99% of cases within the targets agreed with the Trustee.

3.3 The Schedule of Contributions sets out timescales for Essentra Limited ("the Company") to remit monthly contributions to the Plan in accordance with legislative requirements. However, agreed practice provides for payment of contributions in advance of these timescales. The deduction and payment of contributions is reviewed by the Company. Once received, contributions are invested in accordance with the timescales set out in the administration agreement with the Plan Administrators.

3.4 In March 2019, the Trustee gave blanket authority to Barnett Waddingham (the Plan's administrator) to process any sized transaction at one time, in order to streamline the investment of contributions. Barnett Waddingham previously required Trustee consent for each transaction over £250,000.

3.5 Barnett Waddingham have in place procedures and checks to mitigate the risk of human error. These include, but are not limited to:

- Daily monitoring of the Trustee bank account;
- A dedicated contribution processing team, and;
- At least two individuals checking all investment and banking transactions.

3.6 The Trustee receives administration reports produced by Barnett Waddingham LLP, which are reviewed by the Trustee at each meeting. This enables the Trustee to monitor that the requirements for the processing of financial transactions are being met.

3.7 The administration report also reports any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators' processes which have been implemented to ensure that there is no repetition of such errors.

3.8 The service level agreement with Barnett Waddingham sets out the approach (including timescales) regarding the transfer of members' assets into and out of the Plan, the transfer of members' assets between different investment options available in the Plan and payments from the Plan to, or in respect of, members.

3.9 The service level standards are reviewed periodically to ensure they remain appropriate and meet legislative requirements. Over the Plan year, Barnett Waddingham processed 99% of cases within the targets agreed with the Trustee, with 99% of cases completed within target plus 3 days, as detailed in the table overleaf. The service level standards are set out below, and the Trustee periodically reviews them to ensure that they remain appropriate and meet legislative requirements.

Task	Target service level in days	Brought forward	Started	Completed	Number of tasks completed in target		Number of tasks completed within target plus 3 days	
					#	%	#	%
Deaths	Stage 1 = 2 Stage 2 to 5 = 5	3	270	269	268	99	268	99
Deaths set up dependant	5	0	18	17	17	100	17	100
Deferred benefits - statement	10	0	316	302	296	98	301	99
New entrants	5	1	12	12	12	100	12	100
Short service leavers	10	1	28	28	26	93	27	96
Retirements								
Retirement illustrations	10	12	172	179	177	99	178	99
Retirement set ups	Stage 1 = 5 Stage 2 = 3 Stage 3 to 4 = 5	10	349	356	356	100	356	100
Transfers In								
Transfer in quotation	5	2	71	73	73	100	73	100
Transfer in implementation	5	2	23	25	25	100	25	100
Auto enrolment	5	0	1	1	1	100	1	100
Transfers Out								
Transfer out calculation	10	10	219	222	219	98	222	100
Transfer out payment	Stage 1 = 10 Stage 2 = 3	5	381	385	382	99	382	99
DC contributions/allocations/AVCs	5	1	20	20	20	100	20	100
DC switches	5	2	32	33	33	100	33	100
Current fund values	5	0	1	1	1	100	1	100
Divorce correspondence/calculations	10	1	2	2	2	100	2	100
Member benefit enquiry	10	5	729	723	721	99	721	99
Subject access request	Stage 1 = 5 Stage 2 = 15	2	0	2	2	100	2	100
Individual data changes	5	31	568	594	591	99	592	99
Payroll items/pensioner's enquiries	10	6	79	77	77	100	77	100
Member online enquiry	10	3	54	55	55	100	55	100
Scheme enquiry	5	7	39	39	38	97	39	100
HMRC/NICO correspondence	10	0	2	1	1	100	1	100
Cash handling	5	9	154	158	156	98	156	99
Member complaints	N/A	1	1	1	1	100	1	100
Miscellaneous	N/A	43	211	219	209	95	209	95
Total		**157**	**3,752**	**3,794**	**3,759**	**99**	**3,771**	**99**

Source: Barnett Waddingham

3.10 The Trustee appoints an independent auditor, JW Hinks LLP, to carry out an annual audit of the Plan, including the material financial transactions that have taken place during the Plan year. The auditors carry out spot checks to ensure that contributions to the Plan or payments made by the Plan are paid in accordance with the Plan's rules. There were no issues to report during the period to which the Statement relates.

3.11 The Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the period to which the Statement relates.

3.12 The Plan's risk register details the key risks to Plan members and is monitored and reviewed on at least an annual basis. The risk register sets out controls to mitigate the effects of these risks, including risks in relation to processing core financial transactions.

3.13 Core transactions require liaising with the investment managers. The Trustee has delegated the day-to-day investment management of the DC Section assets to the underlying investment manager, Legal & General.

4. Charges and Transaction Costs

4.1 As required by the Administration Regulations, the Trustee is required to report on the charges and transactions costs for the investments used in the default investment arrangement as well as funds available as self-select options to members of the DC Section and members with AVC funds, and on the Trustee's assessment on the extent to which the charges and costs represent good value for members.

4.2 The range of charges and transaction costs applicable to the default arrangement during the period are detailed in this section. Transaction costs can be incurred when buying and selling investments. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

4.3 Charges relating to investment management are deducted from members' funds. The Plan is used as a qualifying arrangement for auto enrolment and as such must comply with regulations on charge controls introduced from April 2015. Specifically, all of the default investment arrangements under the Plan must have a total expense ratio equal to, or below the charge cap of 0.75% p.a. of savings.

4.4 The tables below show the total expense ratio (TER) in each of the funds underlying the Plan's default lifestyle arrangements (the 5 Year Cash Lifestyle Strategy). The overall charge being deducted from a member's fund, if in the default lifestyle arrangement, will reflect the member's allocations in each of the underlying funds. The TER is at its highest during the growth phase, falling during the five years prior to the Selected Retirement Age, to reflect the automated transition of assets to the Liquidity Fund, which has a lower TER.

Default Lifestyle Arrangement Funds	TER (% pa)	Transaction Cost (% pa)
Growth*	0.26	0.002
Sterling Liquidity	0.14	-0.014

Source: LGIM (31 of March 2022)

** LGIM did not disclose the charges for the Growth fund as part of the data gathered for this report (only the component funds). The TER and transaction costs shown here have been calculated based on the fund's underlying components and allocations.*

The Plan complies with the regulations on charge controls introduced from April 2015. Specifically, all of the stages used in the Plan's default Cash Lifestyle Strategy have a TER that is considerably below the charge cap of 0.75% p.a. of savings.

The table below provides information on the charges applicable to the funds offered as self-select options.

Fund	TER (% pa)	Transaction Cost (% pa)
Global Equity Market Weights (30/70) Index	0.19	0.032
Global Equity Fixed Weights (50:50) Index	0.17	0.012
UK Equity Index	0.17	0.021
North America Equity Index	0.13	-0.009
Europe (ex-UK) Equity index	0.18	-0.020
Japan Equity Index	0.15	0.002
Asia Pacific (ex-Japan) Equity Index	0.23	-0.004
World Emerging Markets Equity Index	0.41	0.026
Growth*	0.26	0.002
Diversified	0.33	-0.027
Retirement Income Multi-Asset (RIMA)	0.38	0.038
Drawdown* **	0.32	0.025
Pre-Retirement ***	0.15	-0.012
Over 15 Year Fixed Interest Gilts Index	0.04	0.050
Over 5 Years Index Linked Gilts	0.04	0.017
Sterling Liquidity	0.14	-0.014

Source: LGIM (31 of March 2022)

** LGIM did not disclose the charges for the Drawdown fund as part of the data gathered for this report (only the component funds). The TER and transaction costs shown here have been calculated based on the fund's underlying components and allocations.*

***Part of the alternative Drawdown Lifestyle option.*

**** The fund is a component of the Fixed Pension Target Fund that is part of the alternative Pension Lifestyle option.*

4.5 The Trustee has made this information accessible to members on the website URL:

www.essentraplc.com/responsibility/environment/pensions

Impact of Costs and Charges

Using the charges and transaction cost data provided by LGIM and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following (with the Plan's relevant funds/strategies listed in brackets):

- The default arrangement (Cash Lifestyle Strategy)
- The most expensive fund (LGIM – Emerging Markets Equity)
- The least expensive fund (LGIM – Fixed Interest Gilts (Over 15 year)

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the TER, transaction costs and inflation.

Illustration 1: A typical active member invested in the DC fund range

	Default Strategy		Highest cost fund: LGIM – Emerging Markets Equity		LGIM – Fixed Interest Gilts (Over 15 year)	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
45	£16,444	£16,400	£16,481	£16,412	£15,864	£15,853
50	£33,426	£33,006	£33,793	£33,131	£28,182	£28,091
55	£52,416	£51,326	£53,394	£51,665	£39,477	£39,272
60	£73,654	£71,538	£75,589	£72,213	£49,834	£49,488
65	£87,042	£84,201	£100,721	£94,991	£59,331	£58,823

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator. The assumed member is age 44, with a normal retirement age of 65, using a starting pot size of £13,270 and a salary of £31,610. The member's total contributions (including those from the employer) are assumed to be 9% of the member's salary per annum, and is assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	**Transaction costs**	**Growth rate assumptions**
The Default Strategy	0.26% p.a. for members 5 or more years from retirement, falling to 0.13% p.a. for members at retirement	0.01% p.a. for members 5 or more years from retirement; an average of 0.00% for members within 5 years of retirement and beyond	4.75% p.a. before inflation for members 5 or more years from retirement, falling to 0.75% p.a. before inflation for members at retirement
LGIM – Emerging Markets Equity	0.41% p.a.	0.02% p.a.	5.00% p.a. before inflation
LGIM – Fixed Interest Gilts (Over 15 year)	0.04% p.a.	0.032% p.a.	0.75% p.a. before inflation

Charge and costs figures provided by LGIM; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As LGIM is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 3 year period to 31 March 2022.

Illustration 2: The youngest active member invested in the DC fund range

	Default Strategy		Highest cost fund: LGIM – Emerging Markets Equity		LGIM – Fixed Interest Gilts (Over 15 year)	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
19	£6,817	£6,798	£6,831	£6,802	£6,602	£6,597
20	£9,391	£9,346	£9,425	£9,356	£8,865	£8,854
25	£23,159	£22,865	£23,409	£22,946	£19,607	£19,543
30	£38,557	£37,780	£39,243	£38,011	£29,457	£29,310
35	£55,776	£54,234	£57,173	£54,713	£38,489	£38,234

40	£75,032	£72,387	£77,475	£73,229	£46,772	£46,388
45	£96,567	£92,414	£100,463	£93,755	£54,366	£53,838
50	£120,648	£114,509	£126,492	£116,511	£61,330	£60,644
55	£147,579	£138,885	£155,966	£141,738	£67,715	£66,863
60	£177,696	£165,778	£189,339	£169,704	£73,571	£72,546
65	£188,091	£174,651	£227,128	£200,708	£78,940	£77,738

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator. The assumed member is age 18, with a normal retirement age of 65, using a starting pot size of £4,300 and a salary of £26,610. The member's total contributions (including those from the employer) are assumed to be 9% of the member's salary per annum, and is assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs	Growth rate assumptions
The Default Strategy	0.26% p.a. for members 5 or more years from retirement, falling to 0.13% p.a. for members at retirement	0.01% p.a. for members 5 or more years from retirement; an average of 0.00% for members within 5 years of retirement and beyond	4.75% p.a. before inflation for members 5 or more years from retirement, falling to 0.75% p.a. before inflation for members at retirement
LGIM – Emerging Markets Equity	0.41% p.a.	0.02% p.a.	5.00% p.a. before inflation
LGIM – Fixed Interest Gilts (Over 15 year)	0.04% p.a.	0.032% p.a.	0.75% p.a. before inflation

Charge and costs figures provided by LGIM; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As LGIM is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 3 year period to 31 March 2022.

Illustration 3: A typical deferred member invested in the DC fund range

	Default Strategy		Highest cost fund: LGIM – Emerging Markets Equity		LGIM – Fixed Interest Gilts (Over 15 year)	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
45	£4,489	£4,477	£4,500	£4,481	£4,315	£4,311
50	£5,020	£4,939	£5,096	£4,968	£3,956	£3,939
55	£5,614	£5,449	£5,770	£5,508	£3,628	£3,599
60	£6,278	£6,012	£6,534	£6,106	£3,326	£3,289
65	£6,231	£5,910	£7,398	£6,769	£3,050	£3,005

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from the administrator. The assumed member is age 44, with a normal retirement age of 65, using a starting pot size of £4,390. The member is assumed to be making no further contributions to the Plan.

4. Inflation is assumed to be 2.5% per annum.

5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs	Growth rate assumptions
The Default Strategy	0.26% p.a. for members 5 or more years from retirement, falling to 0.13% p.a. for members at retirement	0.01% p.a. for members 5 or more years from retirement; an average of 0.00% for members within 5 years of retirement and beyond	4.75% p.a. before inflation for members 5 or more years from retirement, falling to 0.75% p.a. before inflation for members at retirement
LGIM – Emerging Markets Equity	0.41% p.a.	0.02% p.a.	5.00% p.a. before inflation
LGIM – Fixed Interest Gilts (Over 15 year)	0.04% p.a.	0.032% p.a.	0.75% p.a. before inflation

Charge and costs figures provided by LGIM; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As LGIM is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for the 3 year period to 31 March 2022.

4.6 The Trustee acknowledges the requirement to publish these illustrations on a website and this page will be available in time for the deadline of 7 months following the Plan year end, that is by no later than 5 November 2022. The 2022 benefit statements will include the web address in order to inform members where they can access this information.

5. Value for Members

5.1 In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustee is required each year to consider the extent to which the investment options and the benefits offered by the Plan (including the charges and transaction costs described above) represent good value for members when this is compared to other options available in the market.

5.2 Whether something represents "good value" is not defined, but for these purposes, the Trustee considers that charges may be viewed as representing "good value" where the combination of costs and the quality of what is provided in return for those costs is appropriate for the Plan membership as a whole, when compared to other options available in the market.

5.3 In particular, "good value" is not purely about achieving the lowest possible costs. The Trustee's assessment therefore also takes into consideration non-financial and indirect benefits to members such as: the quality of the customer service and support provided to members; the extent to which member communications and member websites are user-friendly, accessible and clear; the efficiency of the Plan's administration services; the quality of fund management and fund performance as against the Trustee's investment objectives; and the robustness of the Plan's governance structures and processes.

5.4 The Trustee has assessed the extent to which the charges set out above represent good value for members and has concluded, following receipt of a report from Mercer Ltd, the Plan's independent DC adviser, that the Plan offers good value for money relative to peers including other pension plans of a similar size and nature. The report used data from Mercer Ltd, the Pensions Regulator and other public surveys, ratings within the report were relative to options available to the Trustee with alternative investment managers and providers.

5.5 The Trustee conducted a detailed Value for Members' assessment in order to arrive at this conclusion, incorporating consideration of:

- Investment charges for the default investment arrangement and self-select options;
- Transaction costs;
- Net cost of performance;
- The fund range available to members;
- Investment manager ratings;
- Plan governance;
- Administration efficiency; and
- Additional services available to members, including at retirement options, services and member tools.

5.6 In August 2022, the Trustee assessed the extent to which the charges under the Essentra Pension Plan represent good value for members and concluded that the Plan continues to offer good value for money relative to peers and alternative arrangements that are available. The reasons underpinning this conclusion include:

- The Trustee is satisfied that Barnett Waddingham has provided a good administration service during the Plan year.
- The majority of funds offer competitive charges relative to the market and all are well below the charge cap. The funds used within the default investment arrangement are in the lower quartile of charges.
- Mercer Ltd rates the funds used by the Plan as having above average prospects of meeting their risk and return objectives.
- The performance of the Plan's funds over the period covered by this statement compare favourably relative to the fund benchmark set by the Plan's investment manager.
- The Trustee added a new specialist drawdown fund to the Plan's fund range and made changes to the Drawdown Lifestyle offered.

5.7 In other areas the assessment found that the Plan offers good value for money across the range of additional features for members, including scheme governance and management, administration, and communications.

5.8 Additionally, the Company pays for all administration, member communication and some advisory costs associated with operating the Plan, which further enhances the value that members receive. The Company also pays for the blending of investment funds, a cost that is typically passed onto members.

5.9 The non-financial benefits of membership were also considered and included (amongst other things): the efficiency of administration processes and the extent to which Barnett Waddingham as administrator met its service level agreements for the year; the communications delivered to members; and the quality of Plan governance.

5.10 The Trustee will continue to monitor the administration and performance of the Plan's investment funds.

5.11 This review is an annual requirement and the next formal Value for Money assessment is to be undertaken for the year ending 5 April 2022.

6. Long-Term Net Investment Return

6.1 Regulations introduced in 2021 require the Trustee to report on the net investment returns for the Plan's default arrangement(s) and for each fund which Plan members are, or have been able to, select, and in which members are invested during the Plan year. Net investment returns refer to the returns on funds minus all transaction costs and charges.

6.2 The table below includes the long-term net investment return for the Plan's default and alternative lifestyle arrangements, which have been calculated in accordance with the statutory guidance.

Default strategy / Alternative Lifestyles	Annualised returns to 31/03/2022 (% p.a.)	
Age of member at start of period	1 Year	5 Years
25	8.3	7.4
45	8.3	7.4
55	8.3	7.4

6.3 The table below includes the long-term net investment return for the Plan's self-select funds:

Self-select fund	Annualised net returns to 31/03/2022 (% p.a.)			
	1 year	5 years	Since Inception	
Global Equity Market Weights (30/70) Index	10.8	-	8.5	11-Jun-18
Global Equity Fixed Weights (50:50) Index	11.2	-	6.3	11-Jun-18
UK Equity Index	13.1	-	3	11-Jun-18
North America Equity Index	19.5	-	16	11-Jun-18
Europe (ex-UK) Equity index	6	-	6.6	11-Jun-18
Japan Equity Index	-2.6	-	3.2	11-Jun-18
Asia Pacific (ex-Japan) Equity Index	1.9	-	5.4	11-Jun-18
World Emerging Markets Equity Index	-3.9	-	4	11-Jun-18
Growth	8.3	7.4	7.9	13-May-15
Diversified	5.8	5.5	6.3	26-Jul-16
Retirement Income Multi-Asset (RIMA)*	-	-	-	15- Jun -21
Drawdown	2.3	3.6	4.6	22-May-15
Pre-Retirement	-6.7	1.4	3.6	26-Nov-14
Over 15 Year Fixed Interest Gilts Index	-7.2	-	1.4	11-Jun-18
Over 5 Years Index Linked Gilts	4.8	-	4.9	11-Jun-18
LGIM - Sterling Liquidity	0	0.3	0.3	24-Jun-14

Source: LGIM

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page

*The fund was introduced as a new standalone option for members under the DC Section in June 2021. No assets have yet been invested in the standalone RIMA Fund.

6.4 The Trustee acknowledges the requirement to publish the net return information on a website and this page will be available in time for the deadline of 7 months following the Plan year end, that is by no later than 5 November 2022. The 2022 benefit statements will include the web address in order to inform members where they can access this information.

7. **Trustee Knowledge and Understanding**

7.1 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

7.2 We also note the presence of an Investment Committee (IC), which meets regularly to discuss investment matters relating to the Plan. There are in place Terms of Reference which set out the responsibilities of the IC, these are reviewed annually.

7.3 This requirement has been met during the course of the Plan year and the Trustee has undertaken regular training throughout the year.

7.4 Trustee training is considered as part of the annual Trustee business plan to determine any specific training and development needs, training sessions are then planned accordingly.

7.5 All training activities are recorded in a training log. As well as training during Trustee Board Meetings, Trustee Directors participate in other training and maintain a log of that training. A copy of those training logs are available for inspection on application to the Secretary to the Trustee.

7.6 The Trustee's meetings held in the period for this statement were attended by the Plan's advisers. Training and advice delivered as part of the business at these meetings is incorporated by the Trustee into their decision making processes.

7.7 The Trustee is conversant with, and has a working knowledge of, the Trust Deed and Rules and the policies and documents setting out the Trustee's running of the Plan. If there are any ambiguities over the interpretation of the Rules, legal advice is sought from the Plan's legal advisors. During the year, the Trustee has demonstrated this knowledge through:

- Making decisions relating to death benefit provisions;
- Consulting with the legal advisers in relation to the segregation of assets, noting that the current Plan rules do not separate DB and DC Plan assets and the Trustee with assistance from their legal adviser may consider such segregation in future;
- The Risk Register is reviewed and updated regularly. This demonstrates that the Trustee holds relevant knowledge on DC specific internal controls and regulatory requirements. The Risk Register is incorporated by the Trustee into its decision making processes; and
- The conflicts of interest policy is considered at each Trustee meeting.

7.8 The Trustee is conversant with, and has a working knowledge of, the current SIP and investment matters. The Trustee undertakes regular training on investments and reviews the investments held by the Plan at each meeting. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisors, during the year the Trustee demonstrated this knowledge through:

- The investment arrangements are monitored and discussed at each meeting. This stimulates and enhances the Trustee's knowledge of investment principles and member needs.
- In accordance with regulations, the Trustee prepares on an annual basis the Implementation Statement setting out how, and the extent to which, SIP has been followed during the Plan year.

7.9 Over the course of the Plan year, the Trustee has demonstrated its continuous commitment to learning by undertaking the following DC related training:

- Conflict of Interest Training – Legal advisor (September 2021)
- Transfer Values – statutory changes – Pension Administrators (December 2021)
- Completed 2022 Business Plan (March 2022)
- Trustee completed Advisor review (March 2022)
- Trustee completed a Trustee Effectiveness review (March 2022)

7.10 The Trustee receives professional advice from Mercer Ltd to support it in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules, and the relevant skills and experience of Mercer is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustee along with their own experience allows them to properly exercise their function as trustee.

7.11 The Trustee also reviews and assesses, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.

7.12 The Trustee is required to have a robust training programme in place for newly appointed Trustee Directors. For the Plan, upon appointment, a Trustee Director is required to undertake completion of the Pensions Regulator's online training programme. The Trustee toolkit is expected to be completed within six months of appointment.

7.13 There has been one new Trustee Appointment and two Resignations during the Year:

- Stephanie Jenkins (appointed on 1 June 2021)
- Sheila Jenkins (resigned on 10 August 2021)
- Alan Tidy (resigned on 31 March 2022)

The new appointed Trustee has completed the Trustee Toolkit.

7.14 The agenda for training is discussed amongst the Trustee Directors to ensure that training is focussed on potential gaps in knowledge. As a result, the Trustee as a whole is comfortable that the Trustee Directors have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles of funding and investment in a plan to fulfil their role.

7.15 The Trustee believes that the best run pension plans utilise the combined skill and knowledge of both the Trustee and its professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have applied during the period:

- The Trustee's professional advisors attend its formal meetings;
- The Trustee board contains trustee directors with wide ranging skills and experience, including pension experience; and
- The Trustee receives briefings from its advisors on all legislative and regulatory developments at each meeting.

7.16 The Trustee understands that having knowledge and the professional advice available needs to be used effectively in order for the Trustee to act properly. The Trustee will review and assess, on an ongoing basis, whether the systems, processes and controls across key governance issues are consistent with those set out in the Pension Regulator's Code of Practice 13.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

I confirm that the Trustee to the best of its knowledge has produced the above statement.

Signed for and on behalf of the Trustee of the Essentra Pension Plan

Date ....

By ....

Chair of Trustee

Appendix

Appendix A – Statement of Investment Principles

Appendix A

Essentra Pension Plan

Statement of Investment Principles – September 2020

1. Introduction

The Trustee of the Essentra Pension Plan (the "Plan") 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 Trustee has consulted a suitably qualified person by obtaining written advice from an independent investment consultant, Mercer Ltd, which is regulated by the Financial Conduct Authority ("FCA"). The Trustee, in preparing this Statement, has also consulted with Essentra Plc ("the Company") as the sponsor of the Plan.

The Plan has two defined benefit ("DB") sections: the "Essentra Section" and the "Essentra Senior Section"; and a defined contribution ("DC") section. Sections 2 and 4 of this Statement address the DB Sections. Section 3 addresses the DC Section. Sections 5 - 11 are relevant to all Sections. Both of the DB Sections are closed to future accrual of benefits.

Overall investment policy falls into two parts; the strategic management of the assets, which is fundamentally the responsibility of the Trustee, and the day-to-day management of the assets, which is delegated to professional investment managers.

This Statement sets out the general principles underlying the investment policy. Details of how this policy has been implemented are set out in a separate Investment Policy Implementation Document ("IPID"), which should be read in conjunction with this Statement.

The Trustee, when considering appropriate investments for the Plan, obtained advice from their Investment Consultant whom the Trustee believes is suitably qualified to provide such advice, and that the advice given satisfies the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustee has also consulted with the employer ("the Company") prior to writing this Statement and has considered their recommendations, and will take the Company's comments into account when they believe it is appropriate to do so. Where matters described in this Statement may affect the Plan's funding policy, input has also been obtained from the Scheme Actuary.

The Trustee believes that the SIP aligns with the rules of the three Plan Sections and its investment policies and their implementation are in keeping with best practice, including the principles underlying the Pensions Regulator's DC Code of Practice No 13. As required by UK legislation, the Trustee has also prepared a Statement of Investment Principles ("SIP") in respect of the DC Sections' default lifestyle investment strategy. Please see the Appendix for the DC default SIP.

2. Defined Benefit Sections: Investment Objectives and Risk

2.1 Investment Objectives

The Trustee believes its prime duty regarding the DB Sections is to endeavour to ensure that Plan members receive their promised benefits. To that end, the Trustee's approach to investment involves considering first the least risk approach in terms of investment strategy, and second the attitude of the sponsoring Company towards investment risk.

In this context, a least risk approach relates to considering, initially, the liabilities discounted using gilt yields. However, this is balanced against the other objectives discussed below.

The Trustee has discussed investment strategy with the Company and in doing so has taken into account the current investment return assumptions implicit in the actuarial valuations. The Trustee has sought to achieve a balance between minimising risk and helping the Company to keep the reported costs of providing the pension benefits to a level acceptable to the Company.

To that end the Trustee has a medium term objective of achieving a return that is at least in-line with the assumptions underlying the actuarial valuations and Recovery Plans.

2.2 Risk

The primary investment risk upon which the Trustee focuses is that arising through a mismatch between each of the DB Sections' assets and their corresponding liabilities.

The Trustee recognises that, with the development of modern financial instruments, it would be possible to select investments that are similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within the level of contributions that the Company has indicated it is willing to make, the Trustee has agreed to take investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide, whilst maintaining a prudent approach to meeting the Plan's liabilities.

Before deciding to take investment risk relative to the liabilities, the Trustee received advice from the investment advisor and Scheme Actuary, and held discussions with the Company. In particular, the Trustee considered carefully the following possible consequences:

- That the assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in a deterioration of the Plan's financial position and consequently higher contributions from the Company than are currently expected.

- That the relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Plan. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.

- That volatility in the relative value of the assets and liabilities may also increase the short-term volatility of the Company's contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its willingness to contribute appropriately to the Plan. The financial strength of the Company and its perceived commitment to the Plan is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these deteriorate.

The degree of investment risk the Trustee is willing to take also depends on the financial health of each DB Section of the Plan and their respective liability profiles. The Trustee monitors these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in either.

In addition to this primary investment risk, the Trustee also recognises a number of secondary investment risks, in particular:

- The risk that may arise from the lack of diversification of investments and that associated with holding unsuitable investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan.

- For some asset classes, the Trustee may choose to employ active management. The Trustee will select investment managers whom they believe have the skill and judgement to add value to net of fees in such cases. Active management gives rise to manager selection risk, which arises due to the potential for selecting an active manager that underperforms its benchmark net of management and transaction fees.

- Interest rate risk – the risk that the assets do not move in line with the value placed on the Plan's liabilities in response to changes in interest rates.

- Inflation risk – similar to interest rate risk but concerning inflation.

- Credit risk – the risk that payments due to bond investors might not be made.

- Currency risk – the risk that the value of the overseas assets changes relative to the Sterling based liabilities due to exchange rate fluctuations.

- Equity market risk – the risk that equity values fluctuate.

- Concentration risk – the risk arising when a high proportion of the Plan's assets are invested in securities of the same or related issuers.

- The risk that the returns of certain asset classes and sectors may be significantly affected by climate change and Environmental, Social and Governance ("ESG") risks. The Trustee take ESG and climate risk into account in the selection, retention and realisation of the Plan's investment managers.

The investment strategy and manager structure has been designed to meet the Trustee's main objectives and to control the risks identified above.

The items listed in this Section are in relation to what the Trustee considers 'financially material considerations' for the DB Sections. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the Plan level. This will be dependent on the liability profile of the Plan's DB sections, including their average durations.

2.3 Strategic Asset Allocation

The risk budget is a measure of the potential variation in the return on the assets compared to the change in the value of members' benefits (the liabilities). The higher the risk budget, the more risk the Trustee runs of falls in the DB Sections' funding levels, but the higher the expected return on the assets.

The Trustee considers that the division of assets together with the manager structure provides a suitably diversified overall portfolio.

Details of the investment strategy, manager structure and cashflow policy can be found in the IPID.

2.4 Day to Day Management of the Assets

The Trustee believes active managers can add value but that it is prudent not to rely wholly on active management, thus the Trustee employs a mixture of active and passive management.

The Trustee delegates the day to day management of the assets to a number of investment managers. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently.

The investment advisor provides regular comment on the returns achieved by the appointed managers. In addition, the investment advisor reports to the Trustee on events which it believes might affect future performance of the investment managers. The Trustee receives quarterly written reports from the investment advisor and investment managers. The Trustee meets the managers to discuss their performance, activity and other issues at least annually.

The safe custody of the Plan's assets is delegated to professional independent custodians (either directly or via the use of pooled vehicles).

Further details of the appointed managers and custodians, as well as the Trustee's rebalancing policy, can be found in the IPID.

2.5 Realisation of Investments

The underlying investment managers selected by the Trustee 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.

3. Defined Contribution (“DC”) Section

3.1 Investment Objectives

The Trustee recognises that members of the Plan have differing investment needs, that these may change during the course of their working lives and that they may have differing attitudes to risk. The Trustee believes that members should generally make their own investment decisions based on their individual circumstances. The Trustee considers its primary objective in respect of the DC Section to be to make available a range of investment funds which enable members to construct a portfolio that meets their own needs. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee has made available a default lifestyle option.

These objectives translate to the following principles:

a. Offering members a ‘Lifestyle’ approach for the default investment strategy and ensuring that the other investment strategy options allow members to plan for their specific retirement objectives;

b. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Plan members. This includes offering mainly passively managed funds and some actively managed investment funds where the Trustee feels this is appropriate;

c. Providing general guidance as to the purpose of each investment option;

d. Encouraging members to seek independent financial advice from an appropriate party in determining the most suitable strategy for their individual circumstances;

e. In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustee aims to make available a range of options which satisfy the needs of the majority of members.

The Trustee periodically reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as appropriate.

Members can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. This will also determine the expected return on a member’s assets and should be related to the member’s own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.

3.2 **Risk**

The Trustee regards “risk” as the likelihood of failing to achieve the objectives set out above and seeks to minimise these risks, so far as possible.

The Trustee has considered risk from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustee considers, and how they are managed and measured:

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation
Pension Conversion Risk Member's investments do not match how they would like to use their pots in retirement.	The Trustee make available three lifestyling strategies for DC members, each targeting either, cash, drawdown or annuity. Lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These lifestyling strategies increase the proportion of assets that more closely match the chosen retirement destination as a member approaches retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.	Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).
Market Risk The value of securities, including equities and interest bearing assets, can go down as well as up.	The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances. For the multi-asset funds which are targeting non-market benchmarks this is delegated to investment managers.	Monitors the performance of external investment funds on a quarterly basis.
Counterparty Risk A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	Delegated to external investment manager. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of external investment funds on a quarterly basis.

Risk	How it is managed	How it is measured
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies. Delegated to investment managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling
Operational Risk A lack of robust internal processes, people and systems.	The Trustee maintains a risk register. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitoring of manager performance on a quarterly basis.
Liquidity Risk Assets may not be readily marketable when required.	The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Legal and General	The pricing and dealing terms of the funds underlying the unit-linked insurance contract
Valuation Risk The value of an illiquid asset is based on a value's opinion, realised value upon sale may differ from this valuation.	Some multi-asset managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment manager. The majority of investment managers invest solely in liquid quoted assets.	The Trustee monitors performance of funds on a quarterly basis..
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.	Delegated to external investment managers. The Trustee's policy on ESG risks is set out in Section 8 of this Statement.	The Trustee reviews their external investment managers' policies and actions in relation to this on an annual basis.
Manager Skill / Active Management Risk Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	The Trustee makes available actively managed funds to DC members where they deem this appropriate; for example, multi-asset or property funds. The actively managed funds made available are highly rated by their Investment Consultant, based on forward-looking expectations of meeting objectives.	The Trustee considers the ratings of investment strategies from their Investment Consultant during the selection process. Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective

The Trustee believes that proper diversification of investments is of the utmost importance. It is the Trustee's policy that a range of funds is made available so that individuals can attain a diversified portfolio.

The Trustee considers the above items relating to investment and risk "financially material considerations". For the DC section the Trustee believes that the timescale for which to assess these considerations should be viewed at a member level, based on the member's age and selected retirement age.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

3.3 The Default Investment Arrangement

The Trustee recognises that not all members wish to make an active choice that is tailored to their individual circumstances. However, it is expected that a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. The vast majority of DC Plan members do not make an active investment decision and are, therefore, invested in the default investment option.

The appendix at the end of this document expands upon the objectives, strategy and suitability of the default arrangement.

3.4 DC Section Investment Strategy

The Trustee has put forward fund options for investment. Members can combine these funds in any proportion to determine their own investment strategy. Full details are provided in the IPID. The Trustee has considered the merits and disadvantages of both active and passive management.

3.5 DC Section Investment Arrangements

Day-to-day management of the assets is delegated to a professional investment manager. Further details of the current investment arrangements, including the Plan's current investment managers, are set out in the IPID.

The investment managers have discretion to buy and sell underlying securities which comprises the funds in which Plan members invest on behalf of the Plan, subject to agreed constraints. They have been selected for their expertise in different specialisations and each manages investments for the Plan to a specific mandate. The IPID gives details of each manager's mandate.

The Trustee accepts that it is not always possible to specify investment restrictions where assets are managed via pooled funds. Nevertheless, the Trustee takes appropriate legal and investment advice regarding the suitability of the investment management agreements and relevant investment vehicles.

The Trustee assesses the continuing suitability of the Plan's investment managers. The Trustee meets each investment manager from time to time to discuss their performance, activity and wider issues. The investment consultant provides help in monitoring the investment managers, both in the form of written updates and attendance at meetings, as required. The Trustee considers the range of funds to be diversified across a reasonable number of underlying holders / issuers.

Defined Benefit and Defined Contribution Sections

4. Other Investments

The Trustee has in the past secured some pensions in respect of the DB Sections through the purchase of annuities and currently holds annuity policies with a number of different insurance companies.

5. Additional Voluntary Contributions ("AVCs")

The Trustee also makes available to members a range of options for the investment of AVCs.

6. Cash Balances

The Trustee maintains separate bank accounts for the administration of benefits and expenses relating to the respective Sections of the Plan.

7. Role of Investment Advisor

The Trustee has employed an independent investment advisor to advise on the investments of the Plan. The role encompasses, but is not limited to, the following areas:

- Assistance in helping the Trustee formulate investment objectives.
- Advice on investment strategy and investment options.
- Advice on devising an appropriate investment manager structure.
- Assistance in selecting, implementing and monitoring investment managers.

8. Implementation and Engagement Policy

8.1 The table below sets out the Trustee's approach to implementation and engagement. The list covers both the DB Sections and the Trustee's approach for the DC Section's default investment options and self-select range. The list is not exhaustive, but covers the main areas considered by the Trustee.

Policy Statement	How the policy is addressed
How the arrangement with the investment manager incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies.	The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandates for which they have been appointed to manage. The Trustee will review the appointment of an investment manager after sustained underperformance and if the Trustee is dissatisfied, it will look to replace the manager. If the investment objective for a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. In appointing an investment manager, the Trustee looks to their investment consultant to provide a forward-looking assessment of the manager's ability to outperform over a full market cycle. The Trustee's investment consultant's manager research ratings are used for due diligence and are used in decisions around selection, retention and realisation of manager appointments. Where the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.
How the arrangement incentivises the investment manager to make decisions based	The Trustee considers the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy.

on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	This includes the underlying investment managers' policy on voting and engagement. The Trustee uses this assessment in decisions around selection, retention and realisation of manager appointments. Investment managers are aware that their continued appointment relies on their success in delivering the mandates for which the Trustee has delegated to them.
How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the trustee's policies.	The Trustee receives reports from their investment managers on a quarterly basis, which present performance information over three months, one year and three years . The Trustee reviews the absolute performance and relative performance against a suitable index or comparator used as the benchmark, and against the underlying managers' stated target performance (over the relevant time period). Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required. As part of their annual Value for Money ("VfM") assessment for the Plan's DC Section, the Trustee reviews the investment manager fees. Where potential improvements on the value delivered to members is identified, the Trustee will take action.
How the Trustee monitors portfolio turnover costs incurred by the investment manager.	The Trustee does not currently actively monitor portfolio turnover costs within the DB Section. The investment managers' performance objectives are set net of transaction costs and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask all of the managers to report on portfolio turnover costs. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager's fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus. The Trustee monitors portfolio turnover costs for the DC and AVC arrangements on an annual basis as part of its value for money assessment.
How the Trustee defines and monitors targeted portfolio turnover or turnover range.	The Trustee does not currently define target portfolio turnover ranges for funds, but they will engage with a manager if portfolio turnover is higher than expected.
How the Trustee defines and monitors the duration of the	The Trustee is a long-term investor and is not looking to change its investment arrangements frequently. All the funds are open-ended with no set end date for the arrangement.

arrangement with the investment manager.	The DC Section funds and the default investment option are reviewed on at least a triennial basis. An underlying manager's appointment will be considered and may be terminated if it is no longer considered optimal, nor have a place in the default strategy or the self-select fund range. This is independent of time.

8.2 The Trustee has given its investment managers full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis

9. Responsible Investment and Corporate Governance

The Trustee believes that good stewardship and environmental, social and corporate governance ("ESG") issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise 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.

The Trustee considers how ESG, climate change and stewardship is integrated within their investment manager's processes and the investment managers are expected to provide reporting on a regular basis, at least annually, on ESG integration process, stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities.

The Trustee reviews the ESG rating provided by Mercer as part of the Plan's regular quarterly performance reporting. A change in ESG rating does not mean that the fund will be removed or replaced automatically. The Trustee will ask managers to comment on these areas when they present from time to time at IC meetings.

Non-financial considerations and member views

Non-financial considerations, including members' ethical views (when expressed) may be taken into account in the selection, retention and realisation of investments

Investment Restrictions

The Trustee have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustee reviews an annual stewardship monitoring report, which includes details of voting and engagement activities associate with each of the funds invested in. Challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Plan.

The Trustee reviews the equity investment managers' compliance against the UK Stewardship Code on an annual basis.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to review the appointment.

10. Compliance with this Statement

The Trustee will monitor compliance with this Statement on a regular basis.

The Trustee will review this Statement in response to any material changes to any aspect of the DB Sections' liabilities, finances and the attitudes to risk of the Trustee and the Sponsoring Company, which it judges to have a bearing on the stated investment policy. Any such review will again be based on expert investment advice and the Trustee will consult the Company.

11. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment 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 plan investments.

Approved: ………………………………………………….. Date:…………………………...
Trustee Director

Approved: ………………………………………………….. Date:…………………………...
Trustee Director

Appendix - Statement of Investment Principles – Default Option for the DC Sections

1. **Introduction**

1.1 The Trustee of the Plan has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent legislation, relating to provision of information specific to default investment, referred to as "Default Arrangement", in respect of the DC Section of the Plan. This should be read in conjunction with the main Statement.

2. **Principles**

2.1 The Trustee recognises that many members do not consider themselves competent to take investment decisions. As such, the Trustee has made available a default arrangement. Unless members make a specific request for their DC accounts to be invested in a different manner, the Trustee invests members' accounts in the default arrangement.

2.2 The default investment arrangement (the "Cash Lifestyle Strategy"), adopts a pre-set investment strategy. This strategy has two phases: the accumulation phase and the consolidation phase. When a member is younger, their account is invested in funds that aim for long-term growth (accumulation phase) in excess of inflation. As the member approaches retirement, their account is switched automatically into lower-risk, lower-growth funds (consolidation phase) with the intention of providing greater capital stability targeting a tax free cash lump sum at retirement.

2.3 A range of asset classes are included within the default investment option, including: developed market equities, money market investments and diversified growth funds. These are managed on a passive basis.

2.4 All funds are daily-dealt pooled investment arrangements, with assets invested on regulated markets.

3. Default Arrangement

Objectives

3.1 The aims of the default arrangement and the ways in which the Trustee seeks to achieve these aims are detailed below:

- To generate returns in excess of inflation during the accumulation phase of the strategy whilst managing downside risk.

The default arrangement's accumulation phase invests 100% of members' accounts in the Growth Fund, a fund which is invested 50% in equities and 50% in a diversified growth fund which invests across a diversified range of assets. This is expected to provide long term growth in excess of inflation but with greater downside protection than investing purely in equities.

- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's account grows, investment risk will have a greater impact on outcomes at retirement. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as members approach retirement is appropriate. Moreover, as members approach retirement, the Trustee believes the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.

The Cash Lifestyle Strategy therefore aims to reduce volatility near retirement via automated switches over a 5-year period to a member's selected retirement date. Investments are gradually switched from a growth oriented fund (the Growth Fund), into a cash fund for capital preservation purposes.

- To provide exposure at retirement to assets that are appropriate for an individual planning to use their savings in the DC Section to take a cash lump sum at retirement.

At the member's selected retirement date, 100% of the member's assets will be invested in a cash fund.

Policies in relation to the default arrangement

3.2 The Trustee's policies in relation to the default arrangement are:

- The default arrangement manages investment risks through a diversified strategic asset allocation consisting of a range of assets including equities, gilts, corporate bonds, overseas bonds and property. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.

- In designing the default arrangement, the Trustee has explicitly considered the trade-off between expected risk and return.

- The Trustee has also taken into account the needs of members with regards to security, quality, liquidity and profitability of a member's portfolio as a whole. The Trustee has designed the default arrangement taking account of the members invested in the default.

- Assets in the default arrangement are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles, which are managed by Legal & General Investment Management ("LGIM"). The selection, retention and realisation of assets within the pooled funds are delegated to LGIM in line with the mandates of the funds. Likewise, the LGIM have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

- Within the default arrangement, units across the underlying pooled funds are bought and sold according to the table below:

Time to Retirement (years)	Growth Fund (%)	LGIM Sterling Liquidity Fund (%)
>5	100	-
5	100	-
4	80	20
3	60	40
2	40	60
1	20	80
0	0	100

4. Risk

In determining the default arrangement, the Trustee has considered risk from a number of perspectives. These include:

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	During the growth phase of the default investment option the Trustee invests in a diversified range of assets which are likely to grow in real terms. The Trustee monitors the performance of the growth phase against the fund's benchmark. The default investment option invests in a diversified range of assets which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation
Pension Conversion Risk Member's investments do not match how they would like to use their pots in retirement.	The default investment option is a lifestyling strategy which targets cash as a retirement destination. The Trustee believes that a strategy targeting cash minimises the overall pension conversion risk for the relevant members accessing pots in a different manner (annuity or drawdown).	Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation (the retirement destination). As part of the triennial default strategy review, the Trustee ensures the default destination remains appropriate.

Risk	How it is managed	How it is measured
Market Risk The value of securities, including equities and interest bearing assets, can go down as well as up.	The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee. For the diversified growth funds which are targeting non-market benchmarks this is delegated to investment managers.	Monitors the performance of the default investment strategy on a quarterly basis.
Counterparty Risk A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	In line with the main DC section. Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	Monitors the performance of the default investment option on a quarterly basis.
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The currency risk management is delegated to investment managers. Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling
Operational Risk A lack of robust internal processes, people and systems.	In line with the main DC Section. Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	Consider the ratings of investment strategies from their Investment Consultant and monitoring these on a quarterly basis.
Liquidity Risk Assets may not be readily marketable when required.	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Valuation Risk The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	Some multi-asset managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment manager. The majority of underlying holdings within the default investment strategy are invested in liquid quoted assets.	In line with the main DC Section.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 6 of this Statement.	In line with the main DC Section.
Manager Skill / Active Manager Risk Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	In line with the main DC Section. The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	In line with the main DC Section.

The Trustee considers the above items relating to investment and risk "financially material considerations". For the DC section the Trustee believe that the timescale for which to assess these considerations should be viewed at a member level, based on the member's age and selected retirement age.

5. Suitability of Default Investment Strategy

5.1 Based on their understanding of the DC Section's membership, the Trustee believes that the above objectives and policies reflect members' best interests. The rationale underpinning this belief is as follows:

- Given the average size of members' accounts, the Trustee believes that most members who will retire in the next few years will take their accounts as a cash lump sum at retirement. The targeting of taking cash at retirement during the consolidation phase is aligned with that objective.

- In addition, some members of the DC Section will have other pension arrangements, in particular within the DB Section of the Plan and so may wish to take their DC Section account as cash at retirement.

- The default arrangement is aimed largely at members who do not feel capable of taking investment decisions. Again, the Trustee believes that taking a cash lump sum at retirement is likely to be the preferred course for many such members, as opposed to say income drawdown which requires more intensive investment governance during retirement. The Cash Lifestyle Strategy being entirely invested in the LGIM Sterling Liquidity Fund addresses that requirement.

- Members seeking an adequate income in retirement will likely need to achieve real investment returns for most of their period as pension savers. The use of a fund with significant weightings in global equities and other growth assets during the accumulation phase addresses that requirement.

5.2 The Trustee intends to monitor members' decisions and other inputs from time to time to ensure that the default arrangement remains suited to their needs. They will also review the investment choices available to members to ensure that those who regard the default arrangement as unsuited to their needs have suitable alternative investment funds to select from.

5.3 In order to ensure that this remains appropriate the Trustee will undertake a review the default investment option, at least triennially, or after significant changes to the Plan's demographics, if sooner.

5.4 Member views, when expressed, may be taken into account relating to all financial and non-financial matters. In particular, in the annual newsletter members are invited to express any opinions for Trustee consideration.

5.5 The Trustee's Implementation and Engagement Policy, as outlined in Section 8 of the main Statement, also applies to the default option for the DC Section.