



The Selecta (UK) Pension Plan

Statement of Investment Principles

1. Background

This Statement of Investment Principles ("the Statement") sets down the principles governing decisions about investments for the The Selecta (UK) Pension Plan ("the Plan") to meet the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. Before preparing it, the Trustee has consulted Selecta (UK) Holding Limited ("the Company") and obtained and considered written professional advice from the Plan's investment consultant, Hymans Robertson. The Trustee will review this Statement on a regular basis and at least every 3 years.

The Trustee is responsible for making decisions regarding the strategic (long-term) investment arrangements of the Plan. The Trustee consults with the Company in making decisions and will take the Company's views into account in setting the policy. The final decisions however rest with the Trustee, having taken advice from Hymans Robertson in reaching those decisions. Day to day management of the Plan's investments is undertaken by a professional fund manager.

The Trustee is aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects the investment manager to comply with the Code and to produce a statement of their commitment to the Code.

The Trustee's investment responsibilities are governed by the Plan's Trust Deed. A copy of the relevant clauses is available for inspection upon request.

2. Investment Objective and Policy

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, on a defined benefits basis. The Trustee's over-riding funding principle for the Plan is to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

In August 2021 the Trustee entered into an insurance policy with Legal and General Assurance Society Limited (“LGAS”) that is expected to secure the benefits of all Plan members. In return for the payment of a premium the Trustee holds an insurance policy with LGAS. Under the policy, LGAS makes monthly payments to the Plan to cover benefit payments to members and covers the longevity risks of members as well as the investment risks of the assets under the policy.

Following payment of the insurance premium the Plan’s residual assets are held as reserves against:

- (a) Any final adjustments to the insurance premium which might be required to reflect changes to the Plan’s liabilities arising from statutory sex-equalisation of certain benefits and any final data cleansing;
- (b) The expenses of running the Plan that are not covered by the insurance policy;
- (c) A cash balance for the Plan’s administrators to facilitate the timely payment of benefits alongside a general contingency reserve.

For reserves held against liabilities (sex equalisation and data cleansing), the Plan’s assets have been invested on a low risk basis in assets which are backed by the UK government (Gilts).

The remaining assets for meeting expenses and other contingencies are invested in cash and liquidity funds with a low risk profile. These are readily realisable assets that can be used to facilitate benefit and expense payments.

The management of the Plan’s residual assets has been delegated to Legal and General Investment Management (LGIM). LGIM is regulated by the Financial Conduct Authority (the “FCA”) and has discretion to buy and sell investments on behalf of the Plan, subject to the constraints of their mandate. As required by the Pensions Act 1995, the Trustee has entered into a signed Agreement with LGIM, the terms of which are consistent with the principles contained in this Statement.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations. The Trustee periodically reviews the fees paid to the manager against industry standards.

The Trustee undertakes a periodic service provider review in which the ongoing appropriateness of the Plan’s manager arrangements are considered. The Trustee reviews the performance of each of its mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

Written advice is received as necessary from professional advisers.

3. Investment Structure

The Trustee invests in pooled funds where the objectives of the fund and the policies

of the investment manager have been evaluated by the Trustee to ensure that they are appropriate for the needs of the Plan.

The Plan's reserve assets which are held against sex equalisation and data cleansing liabilities are invested in index-tracking (passive) gilt and index-linked gilt funds with the aim of creating a portfolio of assets which has similar sensitivities to the underlying liabilities.

The remaining assets are held in a Sterling Liquidity Fund and a Cash Fund as reserves for expenses and to meet any additional cash requirements of the Plan.

4. Fee Structures

The Plan pays investment management fees to LGIM amounting to a percentage of the assets under management.

The Plan also pays consultancy fees to Hymans Robertson for the provision of a range of actuarial and investment advisory services. Hymans Robertson are remunerated by fees that are either fixed in advance or based on the time spent and cost incurred.

5. Custody

The safekeeping of the underlying assets of the funds within the invested portfolio is performed on behalf of the investment manager by custodians specifically appointed to undertake this function.

6. Performance Assessment

Hymans Robertson is retained as investment consultant to assist the Trustee in fulfilling its responsibility for monitoring the investment manager.

7. The Trustee's Policy with Regard to Risk

The Trustee pays close regard to the risk that may arise through a mismatch between the Plan's assets and liabilities and also the risk that may arise from the lack of diversification.

By entering into the insurance policy with LGAS and investing reserve assets in gilt and index-linked gilt funds the Trustee has sought to minimise mismatch risk.

The Trustee has identified and acknowledged the risks inherent in its agreed investment strategy but believes that the asset allocation policy in place is suitable given the stated investment objectives. A key potential risk relates to the insurance regime – the risk of failure within the UK insurance sector impacting the ability of LGAS to meet its obligations under the insurance policy held by the Plan. To mitigate against this risk the Trustee commissioned due diligence on LGAS prior to entering into the policy and is also protected by the reserving requirements and stress testing put in place by the insurance sector.

The Trustee is aware of the extent to which Environmental, Social and Governance ("ESG") issues which are not reflected in asset prices and/or not considered in investment decision

making could lead to underperformance relative to expectations. The Trustee is also aware of the extent to which climate change may cause a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

8. Portfolio Turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects the manager to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will challenge its manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive. In addition the Trustee will review turnover costs incurred by the asset manager over the Plan's reporting year.

9. The Trustee's Policy with Regard to Financially Material Factors including ESG and Climate Change considerations

The Trustee recognises that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors, is relevant at different stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that while some factors may be relevant to certain assets, they may not be relevant to others.

The Plan's asset allocation has been determined using appropriate economic and financial assumptions for different asset classes. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors. The Trustee recognises that climate change could pose systemic risks which could in turn affect the returns achieved from the investment strategy.

The Trustee has not at this stage made explicit allowance for climate change in framing its asset allocation. Instead, the Trustee expects the investment manager to take into account all financially material factors, including climate change, in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

As the assets of the Plan are managed in pooled arrangements, some of which include other investors, the Trustee accepts that the assets are subject to the investment manager's own policy. However, the Trustee expects that the investment manager will take the extent to which environmental, social or ethical issues may have a financial impact on the portfolios into account in their day to day management of the assets.

The Trustee will periodically review the investment manager and seek evidence that the manager is meeting the Trustee's expectations.

In index-tracking (passive) mandates, the Trustee recognises that the choice of index

benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market index and believes this approach is in line with the basis on which their current strategy has been set. The Trustee will review periodically the index benchmarks employed.

The Trustee has not imposed any constraints on the investment arrangements or managers employed relating to non-financial factors.

10. Stewardship and Manager Engagement

The Trustee believes good management of companies should lead to more sustainable and predictable returns.

The Trustee does not engage directly but actively encourages its investment manager to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, the investment manager is expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

Responsibility for investment decisions has been delegated to the investment manager which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where the manager is responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Plan and its investments and has ensured that the manager has an appropriate conflicts of interest policy in place. The manager is required to disclose any potential or actual conflict of interest to the Trustee.

The investment manager provides investment reports to the Trustee on a quarterly basis. The Trustee will review engagement activity undertaken by the investment manager as part of its broader monitoring activity. When appointing new managers, the Trustee will consider the managers' approach to engagement.

The Trustee will review manager engagement activity on an annual basis and use this information as a basis for discussion with the investment manager. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

The Trustee aims to meet with the investment manager on a periodic basis. Where deemed appropriate, the manager maybe challenged on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

11. Buying and Selling Investments

The Trustee has delegated the responsibility for buying and selling the underlying investments to the investment manager.

12. Additional Voluntary Contributions

The Trustee invests members' additional contributions with Prudential Assurance Company Limited. With the assistance of the investment consultant, these arrangements are reviewed from time to time to ensure that they meet the requirements of the Act, that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustee and the needs of the members.

13. Compliance with this Statement

The Trustee will monitor compliance with this Statement.

The Trustee will review this Statement regularly to ensure that it remains accurate. It will also review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company, which is judged to have a bearing on the stated Investment Policy. Any such review will be based on expert investment advice and will be in consultation with the Company.

Signed for and on behalf of Independent Trustee Services Ltd as trustee of the Selecta (UK) Pension Plan



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Dinesh Visavadia - ITS Director

Name

25th July 2022

Date

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Name

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Date



**Independent
Trustee Services**