

The Amtico Company Pension Scheme

Statement of Investment Principles Defined Contribution Section

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Amtico Company Pension Scheme (the Scheme) for the Scheme's Defined Contribution Section. This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.
- 1.2. In preparing this statement the Trustee has consulted The Amtico Company Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change of policy in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustee are set out in Clause 3.2 of the Definitive Trust Deed & Rules, dated 22 December 2000, and Clause 3.3 inserted by the 2005 Deed of Amendment. This statement is consistent with those powers.
- 1.6. The Scheme consists of the Defined Benefit (DB) Section and the Defined Contribution (DC) Section. There is a separate Statement of Investment Principles for the Scheme's DB Section, dated June 2019.

2. Choosing investments

- 2.1. The Trustee's policy is to offer a default investment arrangement suitable for the DC Section's membership profile plus a core range of investment funds into which members can choose to invest their contributions and contributions made by the employer. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the DC Section's assets is delegated to one or more investment managers. The DC Section's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustee reviews the appropriateness of the DC Section's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the DC investment strategy.

3. Investment objectives

- 3.1. The Trustee has discussed key investment objectives in light of the DC Section's membership profile as well as the constraints the Trustee faces in achieving these objectives.

- 3.2. The Trustee's main investment objectives for the DC Section are:
- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC Section;
 - to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
 - to maximise member outcomes;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots; and
 - to reduce the risk of the assets failing to meet projected retirement income levels.
- 3.3. Within the DC Section, the Trustee is responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

4. Kinds of investments to be held

- 4.1. The DC Section is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives. For members that wish to make their own investment arrangements, a range of "self-select" funds has been made available.

5. The balance between different kinds of investments

- 5.1. Members can choose to invest in a range of funds or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by their employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in the Appendix.
- 5.2. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.
- 5.3. The Trustee considers the merits of both active and passive management and may select different approaches for different arrangements and asset classes.

6. Risks

- 6.1. Investment risk lies with the members themselves. However, the Trustee has considered the following risks when making available suitable investment choices:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available to members (see the Appendix), the Trustee increases the proportion of assets that more closely match how they expect members to access their retirement savings.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the fund range offered to members to ensure member outcomes can be maximised.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The DC Section may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee also undertakes an annual review of the internal controls and processes of each of the investment managers.

7. Expected return on investments

- 7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions. The

Trustee meets the DC Section's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments


- 8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

- 9.1. The Trustee believes that environmental, social and governance ("ESG") factors are potentially financially material and therefore have a policy to review these, alongside other factors, when selecting or reviewing the DC Section's investments. The Trustee will be reliant on the information presented by each investment manager and their investment advisor regarding the extent to which a manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including (but not limited to) historical performance or fees.
- 9.2. As the DC Section's investments are held in pooled funds, ESG considerations are set by each investment manager who will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk. The Trustee does not currently impose any specific restrictions on the investment managers with regard to ESG issues but will review this position from time to time.
- 9.3. The Trustee receives regular information from the investment managers on their approach to selecting investments and engaging with companies with reference to ESG issues.
- 9.4. The Trustee believes that good stewardship and positive engagement may lead to improved governance and better risk-adjusted returns. The Trustee delegates the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.
- 9.5. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider the investment managers' policies on engagement (including exercise of voting rights) and how these policies have been implemented.

10. Agreement

- 10.1. This statement was agreed by the Trustee and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Signed: 

Date: 29.8.19

On behalf of the Amtico Company Pension Trustee Limited for the Amtico Company Pension Scheme

Appendix Note on investment policy of the DC Section in relation to the current Statement of Investment Principles dated May 2019

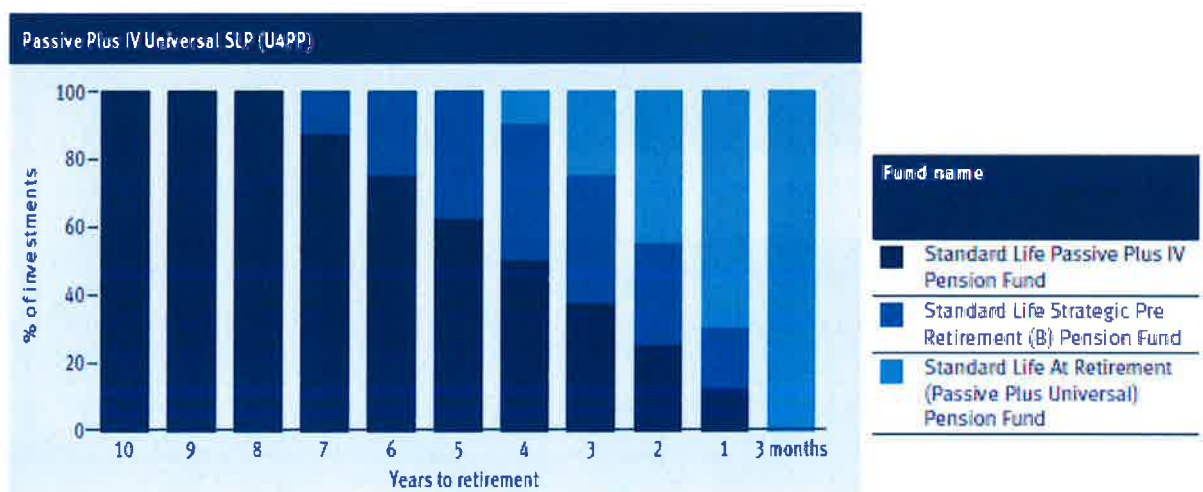
1. The balance between different kinds of investment

The Trustee has made available a range of funds to suit the individual needs of the Scheme’s DC members. For example, a range of growth funds (including equity, property and target return) is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the growth funds.

Alternatively, the Trustee has made available a range of lifestyle arrangements, whereby a member’s assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member’s target retirement date so as to protect the purchasing power of the retirement savings.

2. Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, having analysed the DC Section’s membership profile, the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The default strategy aims to target reasonably good member outcomes regardless of how retirement income is eventually taken; thus the Trustee felt that it would be appropriate for the majority of the membership who may be undecided as to how and when they access their retirement savings.



3. Choosing investments

The Trustee has appointed a group of investment manager(s) to carry out the day-to-day investment of the DC Section. In terms of the lifestyle profiles and core fund range, as at the date of this statement, the underlying managers were:

- Standard Life;
- HSBC;
- Vanguard;
- Schroder;
- BlackRock

The investment managers are authorised and regulated by the Financial Conduct Authority.

The full list of five lifestyle strategies that members are able to choose from is shown below:

Lifestyle option name	Description
Passive Plus IV Universal Strategic Lifestyle Profile	The default investment option which most members currently invest in and designed to be broadly suitable regardless of how you choose to take your pension account.
Passive Plus IV Annuity target Strategic Lifestyle Profile	Designed for members intending to buy an annuity with their pension account.
Passive Plus IV Lump Sum target Strategic Lifestyle Profile	Designed for members intending to take their entire pension account as a cash sum.
Passive Plus IV Active Retirement (Drawdown) Strategic Lifestyle Profile	Designed for members intending to take their pension account using Flexi-Access Drawdown.
Passive Plus III Universal Strategic Lifestyle Profile	Similar to the default but designed to take less investment risk a long way from retirement.

The list of core self-select funds and their investment objectives is shown below:

Fund	Objective
Standard Life Ethical Pension Fund	To provide long term growth by investing in a diversified portfolio of assets (including equities and corporate bonds) that meets the fund's ethical criteria.
Standard Life Long Corporate Bond Pension Fund	To provide long term growth mainly from the reinvestment of income generated by investing predominantly in Sterling denominated corporate bonds.
Standard Life Money Market Pension Fund	To maintain capital and provide returns in line with money market rates, before charges.
Standard Life Property Pension Fund	To provide long term growth from a combination of income and capital growth by investing predominantly in prime quality UK properties.
Standard Life Multi Asset Managed (20%-60% shares) Pension Fund	To provide long term growth whilst investing in a diversified portfolio of assets (including equities, bonds, property, cash deposits and money-market instruments) in order to reduce the risk associated with being solely invested in any one asset class
SL HSBC Islamic Global Equity Index Pension Fund	To create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.
SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund	To track the performance of the FTSE Developed World ex UK Equity Index.
SL Vanguard FTSE UK All Share Index Pension Fund	To track the performance of the FTSE UK All Share Index.
SL Vanguard UK Government Bond Index Pension Fund	To provide returns consistent with the performance of a market-weighted index of UK government fixed income securities denominated in pound sterling.
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	To track the performance of the Barclays U.K. Government Inflation-Linked Float Adjusted Bond Index
Standard Life MyFolio Managed V Pension	To provide a total return from a combination of income and capital appreciation over the longer term

SL SLI UK Smaller Companies Pension Fund	To provide long term growth by investing mainly in the shares of smaller companies listed on the UK stock market
Standard Life Asia Pacific ex Japan Equity Pension Fund	To provide long term growth and is designed for investors who are looking for exposure to equity markets in the Asia Pacific region (excluding Japan) and Australasia
SL BlackRock Aquila Connect US Equity Pension Fund	The Fund aims to achieve capital growth by tracking closely the performance of the FTSE USA Index, the Fund's benchmark index.
SL Schroder UK Smaller Companies Pension Fund	To provide capital growth by investing in equity and equity related securities of small-sized UK companies

The performance of the investment managers for the default and core funds will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

4. Fee agreements

The fee arrangements with the investment managers are summarised below:

Strategic Lifestyle Profile	Effective total annual fund charge (% p.a.)		
	Growth Fund	Pre Retirement	At Retirement
Passive Plus IV Annuity	0.33%	0.33%	0.31%
Passive Plus IV Active Retirement	0.33%	0.70%	0.56%
Passive Plus IV Lump Sum	0.33%	0.31%	0.31%
Passive Plus III Universal	0.33%	0.31%	0.32%
Passive Plus IV Universal	0.32%	0.33%	0.33%

Self-select Fund	Effective total annual fund charge (% p.a.)
Standard Life Ethical Pension Fund	0.31%
Standard Life Long Corporate Bond Pension Fund	0.31%
Standard Life Money Market Pension Fund	0.31%
Standard Life Property Pension Fund	0.33%
Standard Life Multi Asset Managed (20%-60% shares) Pension Fund	0.32%
SL HSBC Islamic Global Equity Index Pension Fund	0.61%
SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund	0.32%
SL Vanguard FTSE UK All Share Index Pension Fund	0.32%
SL Vanguard UK Government Bond Index Pension Fund	0.32%
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	0.32%
Standard Life MyFolio Managed V Pension	0.74%
SL SLI UK Smaller Companies Pension Fund	0.80%
Standard Life Asia Pacific ex Japan Equity Pension Fund	0.44%
SL BlackRock Aquila Connect US Equity Pension Fund	0.31%
SL Schroder UK Smaller Companies Pension Fund	1.07%