

Presspart Retirement Benefits Scheme

Statement of Investment Principles

September 2020

1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the Presspart Retirement Benefits Scheme (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- 1.2 In preparing this statement the Trustees have consulted Presspart Manufacturing Limited, the Principal Employer, and obtained input from Rathbone Investment Management Limited, the Scheme's fund manager.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4 The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.
- 1.5 The investment powers of the Trustees are set out in Clause 16 of the Definitive Trust Deed & Rules, dated 28 September 2001. This statement is consistent with those powers.

2 Choosing Investments

- 2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider 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 Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in the Appendix to this Statement. The fund 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 Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3 Investment Objectives

- 3.1 The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
 - to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to achieve a long term positive real return;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;

- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4 Kinds of investments to be held

4.1 The Scheme can invest (directly or indirectly) in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3 No investment in employer-related investments is permitted, except where this is by virtue of inclusion in an index which any managers are benchmarked against.

5 The balance between different kinds of investments

5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3 From time to time the Scheme may deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflows requirements or any other unexpected items.

5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6 Risks

- 6.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities and have considered ways of managing/monitoring these risks:
- 6.2 **Risk versus the liabilities.** The Trustees will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
- 6.3 **Asset Allocation risk.** The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
- 6.4 **Fund manager risk.** The Trustees monitor each of the Scheme's fund managers' performance on a regular basis in addition to having meetings with the managers from time to time as necessary. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.
- 6.5 **Concentration risk.** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- 6.6 **Loss of investment.** The risk of loss of investment by each fund manager and custodian is assessed by the Trustees.
- 6.7 **Liquidity risk.** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- 6.8 **Covenant risk.** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
- 6.9 **Solvency and mismatching.** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
- 6.10 **Currency risk.** The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7 Expected return on investments

- 7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are 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 fund managers.
- 7.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

- 7.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4 Having established the investment strategy, the Trustees monitor the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's fund managers as frequently as is appropriate in order to review performance.

8 Realisation of investments

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the fund managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9 Socially Responsible Investment, Corporate Governance and Voting Rights

- 9.1 The Trustees believe that Environmental, Social and Governance ("ESG") considerations have the potential to have a financially material impact. However, the Trustees appreciate that taking ESG into account within an investment strategy and process will yield different returns and/or risks for different asset classes. The Trustees' views on ESG integration within each asset class is outlined below:
- 9.1.1 **Gilts** - the Trustee does not believe there is scope for ESG issues to improve risk-adjusted returns within the Scheme's gilt holdings.
 - 9.1.2 **Other asset classes** - the Trustees believe that ESG issues are likely to be financially material to the risk-adjusted returns achieved by the Scheme's investment managers. The investment process for the investment manager should take ESG into account in the selection, retention and realisation of investments. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.
- 9.2 The Trustees are comfortable that the investment manager is managing the relevant funds with ESG taken into account in a reasonable way for each particular asset class and within particular guidelines and restrictions. The Scheme's fund manager is expected to ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk, subject to certain constraints.
- 9.3 Before considering any new mandate, the Trustees will require the manager to be a signatory to the United Nations supported Principles for Responsible Investment (PRI). At time of writing, the Scheme's investment manager is a PRI signatory.
- 9.4 In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.
- 9.5 The Trustees have not taken into account individual members' views when establishing the policy on ESG factors, engagement and voting rights.

10 Agreement

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

Signed:..... **Date:**

On behalf of the Trustees of the Presspart Retirement Benefits Scheme

Appendix 1 Note on investment policy of the Scheme as at September 2019 in relation to the current Statement of Investment Principles

Choosing investments

The Trustees have appointed Rathbone Investment Management Limited to carry out the day-to-day investment of the fund. Rathbone Investment Management Limited is authorised and regulated by the Financial Conduct Authority.

The fee arrangement with the fund manager is summarised below:

Fund manager	Fees
Rathbone Investment Management Limited	0.4% p.a. + VAT

The Scheme also holds an AVC policy with Prudential in relation to three members. These members' fund are invested in a with profits fund and may be transferred out or used to provide retirement benefits in accordance with members' choices.

Kinds of investments to be held

The Trustees have considered all asset classes and have gained exposure to the following asset classes

- UK Equities;
- Overseas Equities;
- Fixed Interest Gilts;
- Index Linked Gilts;
- Corporate Bonds;
- Property;
- Private Equity
- Commodities;
- Hedge Funds;
- Cash

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The investment benchmark for the Scheme's investments is determined separately for each asset class and the table below sets out the investment benchmarks that are currently being used.

The performance of the fund manager will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

The Scheme has a strategic asset allocation as set out in the table below. The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The Scheme rebalances from time to time, using the control ranges detailed in the table:

Asset class	Neutral allocation (%)	Control Range (%)	Benchmark
Cash	1	0-2	UK 3 Month LIBOR TR
Gilts	18.5	17-20	FTSE UK Gilts Over 15 years TR
Corporate bonds	32.5	29-36	iBoxx Sterling Non-Gilts Over 15 years TR
Equity	44	40-48	-
<i>UK equity</i>	<i>22</i>	<i>-</i>	<i>FTSE All-Share TR</i>
<i>Overseas equity</i>	<i>22</i>	<i>-</i>	<i>FTSE World ExUK Sterling TR</i>
Alternatives	4	0-8	<i>FTSE/WMA Hedge (Investment Trust)</i>
Total	100		

Appendix 2 Notes on implementing the Shareholders Right Directive

How trustees incentivise the fund managers to align investment strategy and decisions with the trustee investment policies

The Trustees of the Scheme have provided the fund manager with a strategic asset allocation that has regards to the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The Trustees have provided a benchmark which serves as a proxy for the Scheme's liabilities, this includes their duration and pensioner mix. The fund manager will present the performance of the Scheme's assets biannually relative to this benchmark.

The trustees have the opportunity to appoint a new fund manager, at any time and at no more than 30 days' notice, and the trustees pay regard to the absolute and relative performance of the portfolio when considering the ongoing relationship.

This incentivises the fund managers to align the strategic and tactical investment decisions with the Trustees investment policies.

The trustees of the Scheme pay Rathbones Investment Management Limited a set percentage of the Scheme's capital value per annum.

Incentivisation of the fund managers to make decisions based on assessments of the medium to long term financial and non-financial performance.

The Trustees will discuss with the fund managers the Scheme's liability profile and funding position. They will ask for input from the fund managers with regards to the expected return of the various asset classes. The benchmark provided to the fund managers by the Trustees will be regularly reviewed to ensure its duration has regards to the Scheme's liabilities. The fund managers will report financial performance using multiple time periods to ensure the focus remains medium to long term.

The fund Managers are not required to perform against an inflation benchmark, but provide data against the Consumer Price Index (CPI) to demonstrate that the real value of the scheme's investment assets are maintained over the longer term.

The fund managers will present an annual stewardship engagement report, detailing proxy voting record, ESG engagement and indicators of responsible non-financial performance.

Monitoring the impact, the fund managers costs and charges have on the performance of the portfolio.

The fund managers will report all performance numbers net of all costs (including third party costs) and charges.

The fund managers will provide annually a full ex post report on the cost and charges of the investment portfolio. This will include all fees, all transaction costs and a VAT report. The report will provide a full breakdown of the costs of any third-party funds used by the fund manager to fulfil the strategic asset allocation. The report will provide the total cost relative to the value of the portfolio (percentage), and also in pounds and pence.

Monitoring the turnover of the portfolio and the impact on the portfolio

The fund manager will report biannually on the turnover within the portfolio. The turnover will also be displayed in the quarterly valuations. The costs will be seen in the annual ex post report.

Duration of the arrangement with each fund manager

The relationship with the fund manager will be reviewed formally at each biannual review and at each triennial review

The contract with the fund manager is not for a fixed period and can be terminated, at any time, within 30 days notice.