The Admenta Pension Scheme (the "Scheme")

Statement of Investment Principles (the "Statement")

1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is **1 August 2023**. The Trustee will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this Statement and as soon as practicably possible after any significant change in investment policy. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

2. Consultations Made

The Trustee has consulted with the Employer, Admenta UK Ltd, prior to writing this Statement and will take the Employer's comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of The Admenta Pension Scheme. The Trustee has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Ltd ("Aon") who are authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to the investment manager appointed and the members of the Scheme on request and is published on a publicly accessible website.

3. Strategy - Objectives and Policy for Securing Objectives

The Trustee's primary objective is to invest the assets of the Scheme in a low-risk manner to ensure that the benefits promised to members are provided.

To achieve this, the Scheme's liabilities (excluding AVC's) have been fully insured, in December 2022, via a bulk Annuity Policy with Just Retirement Ltd ("Just"). The Annuity Policy remains an asset of the Scheme (referred to as a "buy-in") and Just will make payments to the Trustee reflecting the benefits due to the members (and beneficiaries) of the Scheme as they fall due. Therefore, the Annuity Policy aims to mitigate the long-term interest rate, inflation, and longevity risks to the Scheme.

The residual, small proportion of Scheme's assets outside of the Annuity Policy consist of cash and cash-like instruments. The Trustee's strategy is to ensure these residual assets are invested in low-risk manner to maintain appropriate liquidity to help meet ongoing expenses and operational flexibility in the payment of benefits, whilst generating cash like returns.

In the short to medium term, it is the Trustee's intention to work towards converting the bulk policy into individual annuity policies for all relevant members (and beneficiaries) of the Scheme (referred to as a "buy out") and shortly thereafter wind-up the Trust.

4. Investment Risk Measurement and Management

As part of its risk management strategy, the Trustee has entered into a bulk Annuity Policy contract in respect of the of the Scheme's expected full liabilities. A data cleanse exercise and potential true-up will take place in the short to medium term between the Trustee and Just.

Under the Annuity Policy, Just make monthly payments to the Scheme sufficient to cover the benefit payments for members (and beneficiaries) of the Scheme. Therefore, the Annuity Policy aims to fully mitigate the long-term interest rate, inflation, and longevity risks to the Scheme's liabilities. The Annuity Policy is an asset of the Scheme, and the Trustee continues to have ultimate responsibility for the payment of benefits to these members (and beneficiaries).

The Trustee expects the key Annuity Provider risk, the risk of Just defaulting, to be mitigated predominantly through:

- The assessment of the credit strength of Just as part of the Trustee's due diligence process prior to entering into the Annuity Policy contract;
- The supervisory (Financial Conduct Authority and Prudential Regulation Authority) and robust funding regime under which Just operates; and
- Other protections available (e.g. the Financial Services Compensation Scheme).

The Trustee also considers several other risks to the Scheme and takes advice as and when appropriate, such as:

- The failure by the investment manager to achieve the rate of investment return assumed by the Trustee ('manager risk'). This risk is considered by the Trustee and its advisers both upon the initial appointment of the investment managers and on an ongoing basis thereafter. The Scheme's residual cash holding with Insight aims to perform in line with its cash benchmark, the risk is that it fails to do this. However, given the small allocation and the low-risk nature of the fund this risk has been mitigated significantly.
- The failure to spread investment risk ('risk of lack of diversification'). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy. Although most of the portfolio is invested in the Annuity Policy, the Trustee and its advisers are comfortable that this is appropriate. In terms of the residual non Annuity Policy cash holding, the investment manager seeks to invest in a diversified manner across a range of short dated cash and cash-like instruments, across issuers and geographies.
- The possibility of failure of the Scheme's sponsoring employer ('covenant risk'). The Trustee and its advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy. Given the Annuity Policy, this risk has been mitigated significantly.

- The risk of fraud, poor advice or acts of negligence ('operational risk'). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

The Trustee considers these risks in both a qualitative and quantitative manner, where appropriate. The Trustee accepts that management of these risks is limited by the size and nature of the residual assets however, the Trustee aims to manage these risks as far as practicably possible. The Trustee's approach to the practical consideration of environmental, social and governance ("ESG") risks is set out in further detail in later sections.

5. The Balance Between Different Kinds of Investments

The Trustee retains responsibility for setting asset allocation and takes expert advice as required from its professional advisers.

The vast majority of the Scheme assets are now held in an Annuity Policy, which aims to insure the full liabilities of the Scheme and remains an asset of the Scheme. As such, the Trustee accepts that the principles of balance between investments is only applicable to the residual cash assets.

The Scheme's investment manager aims to invest the residual cash assets in a diversified manner across a range of short dated cash and cash-like instruments, across issuers and geographies.

6. Choosing Investments

The Scheme's assets are largely in the form of an Annuity Policy with Just, which remains an asset of the Scheme. For the residual cash assets, the Trustee has appointed an investment manager to manage them. Overall, the types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The day-to-day management of the Scheme's residual assets (excluding the Annuity Policy) has been delegated to an investment manager who is authorised and regulated by the Financial Conduct Authority.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

The non Annuity Policy residual assets of the Scheme are invested in a low-risk manner in cash to maintain appropriate liquidity to help meet ongoing expenses and operational flexibility in the payment of benefits, whilst generating cash like returns.

Day to day selection of underlying assets within the cash pooled investment vehicle is delegated to the investment manager who has been appointed by the Trustee. The Trustee takes expert advice when reviewing and selecting investment managers.

The residual cash assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

The Trustee acknowledges that it has no direct holding in derivatives, however, it accepts these instruments may be used by the investment manager in the cash pooled investment vehicle in order to reduce investment risks or facilitate efficient portfolio management. These are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

Given the size and nature of the remaining non Annuity Policy cash assets, the Trustee does not consider it necessary to review the nature of these investments, their suitability and diversification on a regular basis. Should a review be required the Trustee will seek and consider advice from its investment adviser.

7. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The manager of the pooled cash fund is responsible for the appointment and monitoring of the custodian of the funds' assets.

The custodians are independent of the Employer.

8. Expected Returns on Assets

The Scheme's residual assets (i.e. those not allocated to the Annuity Policy) are invested in a cash fund (with small balances also arising from time to time in the Trustee Bank Account) mainly for the purpose of liquidity management and to meet ongoing expenses however, the Trustee expects the cash fund to also deliver investment returns broadly consistent with prevailing short term interest rates, specifically the Sterling Overnight Index Average ("SONIA").

The Trustee does not formally monitor the performance of the cash fund, albeit it may carry out reviews of performance, or the manager, as required. The Trustee's investment adviser will also highlight any material matters concerning the fund or investment manager.

9. Realisation of Investments/Liquidity

The residual assets held in cash are realisable at short notice if required (through the sale of units in the pooled investment fund). The Annuity Policy the Trustee has entered into cannot be realised but will make payments to the Trustee as and when required to cover the benefits due to members (and beneficiaries) as and when they fall due.

10. Responsible Investment, Stewardship and Costs

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest the majority of the Scheme's assets in an Annuity Policy and therefore have limited ability to influence the environmental, social, and governance ("ESG") policies of the assets notionally backing the Annuity Policy. ESG considerations were one of several factors considered in the selection of the Annuity Provider, Just. Residual assets are invested in Cash with Insight, where the Trustee considers ESG (including climate) to not present material risks.

Arrangements with Investment Managers

Before entering the Annuity Policy with Just, the Trustee reviewed the governing documentation associated with the Annuity Policy and considered the extent to which it aligned with the Scheme's requirements. Following the purchase of the Annuity Policy, and with the exception of the residual assets, the responsibility for managing the assets notionally backing the Annuity Policy lies with Just. This responsibility may include ensuring that arrangements with appointed asset managers (where applicable) are aligned to achieving the medium and long-term objectives of Just and as established within the contractual terms of the Annuity Policy of the Scheme.

Given the relatively small proportion of residual assets invested outside of the Annuity Policy, and the nature of the investments held, the Trustee does not maintain a policy for the arrangements with Insight.

No performance monitoring is carried out in relation to the Annuity Policy however checks are carried out to ensure the payments received from the policy are in line with expectations.

There is no set duration for arrangements with the Annuity Provider or with Insight.

Monitoring of Investment Manager costs

Evaluation of Performance and Remuneration

The Trustee evaluates the ongoing suitability of Insight as a manager of the residual cash holding on a regular basis with the support from its investment adviser. The Trustee also reviews the remuneration of Insight regularly to ensure that their costs are reasonable in the context of the kind and balance of investments held.

Portfolio Turnover Costs

Following the purchase of the Annuity Policy, responsibility for monitoring costs of the majority of the Scheme's assets has been delegated to Just. The Trustee therefore does not monitor costs relating to the Annuity Policy. The Trustee paid a premium to Just when the Annuity Policy was initiated, and as a result there are no ongoing fees in respect of the Annuity Policy.

Residual assets are invested in a cash fund with Insight. Given the relatively small proportion of assets invested with Insight, the Trustee does not have a formal Cost Monitoring policy in place for these assets.

Targeted portfolio turnover is defined as the expected frequency with which an investment manager's fund holdings change over a year. Given the majority of the Scheme's assets are invested in the Annuity Policy, the Trustee does not monitor portfolio turnover.

Stewardship – Voting and Engagement

Following the purchase of the Annuity Policy, the Trustee has delegated the management of the assets notionally backing the Annuity Policy to Just. This includes responsibility for stewardship activities, including voting (where applicable) and engagement. The Trustee accepts responsibility for how Just manages the assets notionally backing the Annuity Policy on its behalf, including the casting of votes in line with its voting policies (though Just do not tend to invest in assets which give rise to voting rights, such as equities).

The Trustee does not attempt to influence the ESG integration or stewardship policies and practices of Just in managing these assets, but the Trustee did consider the ESG credentials which was one of several factors in the Trustee's due diligence process and decision to select Just.

Just are signatories to the UN Principles of Responsible Investment and the NetZero Asset Owner Alliance, amongst other initiatives (https://www.justgroupplc.co.uk/sustainability/esg-investors).

The Scheme's residual assets are invested in cash with Insight. Given the relatively small proportion of Scheme assets and the limited materiality of stewardship to these asset classes the Trustee does not have a formal stewardship policy in place for these assets.

Members' Views and Non - Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

11. Effective Decision Making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

The Trustee has established an Investment Sub-Committee to advise the Trustee on all matters relating to the investment of the assets of the Scheme. However, where it falls within the Terms of Reference, the Investment Sub-Committee will make and implement decisions. The Terms of Reference for the Investment Sub-Committee set out the structure for investment decision making. Decisions may be wholly or partially delegated to the Investment Sub-Committee or may remain with the Trustee to be taken with guidance and recommendation from the Investment Sub-Committee. Full details can be found in the Investment Sub-Committee Terms of Reference.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

12. Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

The Trustee has made available, for any AVC contributions previously made by members, the following range of investment options.

Options which are available for members to switch funds to:

The Santander Deposit Fund

A wide range of funds with Prudential

A wide range of funds with Aviva (formerly Friends Life)

Legacy options, with some asset holdings, but which cannot have additional funds transferred to them:

The Aviva (formerly Friends Life) With Profit Fund

The Aviva With Profit Fund

The Equitable Life With Profit Fund

The Equitable Life Managed Fund

The Phoenix Life (formerly AMP London Life) With Profit Fund

M&G (Prudential) Cash Fund

Aviva (formerly Friends Provident) Cash Fund

From time to time the Trustee may review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

13. Fees

The Trustee's investment advisers are paid for advice provided based on the time spent by the adviser. For significant areas of advice (for example special projects or large jobs), the Trustee will agree a project budget. These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the investment adviser.

For the residual cash assets invested in Insight's Liquidity Fund, Insight are remunerated as a set percentage of their assets under management. This is in keeping with market practice. The annual management fee for the Insight Liquidity Fund is 0.08% p.a.

Admenta Pension Trustees Limited