ADVANCE TAPES GROUP LIMITED
RETIREMENT BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES (SIP)

SEPTEMBER 2020

Contents

1 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Advance Tapes Group Limited Retirement Benefits Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of the Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme actuary is Andrew Allsopp of Quattro Pensions Consulting Limited and the Investment Adviser is Mattioli Woods plc (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with Advance Tapes Group Limited ('the Company') and the Scheme Actuary and have obtained and considered written advice from the Investment Adviser. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and arrange the administration of the Scheme. Where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

The Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's individual assets to professional investment/fund managers. The investment/fund managers are authorised and regulated by the Financial Conduct Authority and Prudential Regulatory Authority.

At any time, the Trustees may review investment strategy and choose to implement a revised strategy prior to updating the SIP. This SIP reflects the current position at the time of writing. It will be updated to reflect any changes in strategy as soon as is practical.

1.1 Declaration

The Trustees confirm that this SIP reflects the investment strategy they have implemented and/or intend to implement for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from the relevant Advisers, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed: Kamieczko M.B. p.p. M.D. Ayres   *Date:* 29.09.2020

Signed: Kamieczko M.B.   *Date:* 29.09.2020

For and on behalf of the Trustees of the Scheme

1

2 Scheme governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the investment/fund managers or the relevant Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in appendix B.

The trustees have decided not to appoint an Investment sub-committee to deal with investment matters.

3 Investment objectives

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set an additional ***quantitative*** objective, details of which are set out in appendix A. This is a measurable objective that the Trustees can use to monitor the ongoing performance of the Scheme's investments to ensure the overall objective is met.

4 Defined benefit asset allocation strategy

Having considered advice from the Investment Adviser, and also having due regard for the objectives, the liabilities of the Scheme, the risks of and to the Scheme and the covenant of the Company, the Trustees have decided upon the strategic target asset allocation set out in appendix A.

4.1 Rebalancing policy

The proportions invested in each respective fund will be managed by the Investment Adviser in line with guidance from the Trustees. In turn the Trustees will periodically monitor the actual asset allocation and ensure that it is within the parameters within appendix A and consider any required rebalancing in conjunction with advice from the Investment Adviser.

4.2 Rates of return

The rates of return expected over the very long term are detailed in appendix C for each asset class and overall.

4.3 Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified, given the Scheme's circumstances. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

4.4 Suitability

The Trustees have taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its liability profile, any legal requirements, regulatory guidance and specifications in the Trust Deed.

4.5 Liquidity

The majority of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustees require (i.e. the underlying investments are traded regularly on a public exchange or invested via units in a pooled fund with frequent dealing dates).

5 Defined benefit strategy implementation

The Trustees have appointed Mattioli Woods plc ('Mattioli Woods') as the scheme's Investment Adviser.

5.1 Mandate and performance objectives

The Trustees have received advice from the Investment Adviser on the appropriateness of each investment holding and believe them to be suitable to meet the Scheme's investment objectives. The Investment Adviser has been mandated by the Trustees to manage the investments in a particular way, and details of these mandates are described in appendix A and B.

5.2 Adviser agreement

The Trustees have invested in a bespoke portfolio of pooled investment funds/vehicles and have signed an agreement setting out the scope of the Investment Adviser's activities, its charging basis, and other relevant matters. The Investment Adviser has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with sub-section (2) of Section 36 of the Pensions Act 1995.

5.3 Diversification

The assets are invested in a diversified range of suitable investments of different types and with different investment fund managers in order to reduce investment risk, given the circumstances of the Scheme. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved.

5.4 Custody

Custody is provided for the Scheme's assets as set out in appendix A.

6 Monitoring

6.1 Investment/fund managers

The Trustees and the Investment Adviser will monitor the performance of the scheme's investment portfolio against the agreed performance objectives (see appendix A). To enable this, the Investment Adviser will provide the trustees with a quarterly valuation (at 31 March, 30 June, 30 September and 31 December) and a performance summary versus agreed benchmarks.

The Advisers, on behalf of the Trustees, will regularly review the activities of the individual investment/fund managers to satisfy themselves that each investment/fund manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the assets of the fund in question.

If the Trustees are not satisfied with an individual investment/fund manager (following advice from the Investment Adviser) they can instruct the Investment Adviser to sell the relevant holding and replace it with another.

6.2 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

6.3 Other

The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy. Reviews of the SIP may also need to take place in the event of any legal or guidance changes.

7 Fees

7.1 Investment/fund managers

The Trustees will ensure that the fees paid to the individual investment/fund managers are consistent with levels typically available in the industry and the nature of services provided. The current fee basis for each investment/fund managers is set out in appendix D.

7.2 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

7.4 Trustees

None of the Trustees are paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend appropriate training, meetings with their advisers, and the periodic Trustees' meetings.

8 Risks

The Trustees recognise a number of risks involved in the investment of assets of the Scheme:

i) The risk of failing to meet the objectives as set out in Section 3 – the Trustees will regularly monitor the investments to mitigate this risk

ii) The risk of adverse consequences arising through a mismatch between the Scheme's assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target

    It is acknowledged that the scheme has diverted from the traditional model of holding long-duration bonds to underpin existing pensioner liabilities. This reflects the trustees' concern (following professional advice) that long-duration bonds are currently valued at a significant premium following the previous banking crisis and subsequent implementation of quantitative easing by the UK government. In turn, this has increased the risk of future volatility and investment losses from holding this particular asset. The trustees acknowledge that, if bond yields were to fall further, the scheme's liabilities could increase noticeably and yet the asset value may not have benefited from a corresponding increase in value (unless the portfolio has in any event exceeded such an increase in bond values).

iii) Risk of lack of diversification of investments – addressed through the asset allocation policy

iv) Risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled investment funds/vehicles.

v) Underperformance risk – monitoring closely the performance of the investment/fund managers and taking necessary action when this is not satisfactory

vi) Country/political risk – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries

vii) Organisational risk – addressed through regular monitoring of the investment/fund managers and the Advisers

viii) Sponsor risk – the risk of the Company ceasing to exist, which for reasons of prudence the Trustees have taken into account when setting the asset allocation strategy. In addition, the trustees regularly review the company covenant (at every trustees' meeting).

ix) Liquidity risk – investing in assets that are generally realisable at short notice

The Trustees will keep these risks under regular review.

9 Other issues

9.1 Statutory funding requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory, having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

9.2 Voting rights and engagement activities

The trustees leave the extent to which social, environmental (including climate risk/opportunities) and governance are taken into account in investment decisions to the discretion of the underlying investment managers. The trustees will regularly review the extent to which social, environmental or ethical considerations are taken into account in investment decisions with their Investment Adviser and its impact in relation to financially material considerations including climate change. The trustees' policy is to encourage the exercising of rights (including voting rights) attaching to investments, but responsibility for exercising such rights is delegated to those managing the investments. The trustees will review annually the effectiveness of their Investment Adviser's stewardship in relation to this policy, or more frequently should circumstances require. Mattioli Woods, as part of their due diligence process in selecting investments have established a red, amber and green status with regards to the extent that the underlying manager utilises an environmental, social and governance framework in making their underlying investment decisions. This is formally updated annually and provided to the trustees to review and consider engagement activities with relevant parties on relevant matters.

The trustees accept that the assets invested in pooled funds are subject to the underlying investment managers' policies on corporate governance. The trustees are satisfied that this corresponds with their responsibility to invest the assets in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of their members and beneficiaries.

The trustees note that members' views on non-financial matters including their ethical views in relation to social and environmental impact and present and future quality of life will not be sought; however, they will be considered if raised by the membership.

In summary, the trustees' policy in relation to their arrangement with any asset manager is explained as follows:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies

The trustees accept that the assets invested in pooled funds are subject to the underlying investment managers' policies, therefore the asset manager will not be able to directly align their strategy with the trustees' policy.

- How that arrangement incentivises the asset manager to make decisions based 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;

By using pooled funds, the trustees are able to disinvest and realise their funds from a specific asset manager without penalty or delay, should they underperform or act outside the trustees' investment objectives, stewardship and environmental, social and governance requirements.

- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

- How the trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range; and the duration of the arrangement with the asset manager.

The trustees delegate the review of portfolio costs and investment performance monitoring to their Investment Adviser. Their investment adviser reports regularly (no less than quarterly) and makes recommendations that incorporate analysis of these factors as part of their agreement with the trustees.

Appendix A – further details

Quantitative investment objective

The *long-term quantitative* objective for the Scheme is to target an investment return in excess of 5.35% annualised over a rolling three-year period (net of charges).

This objective is not framed relative to the performance of other pension funds or market indices.

Defined benefit asset allocation strategy

The central strategic asset allocation is as follows:

Asset class	Percentage of assets
Hedge assets	20%
Real assets	30%
Growth assets	50%
Total	**100%**

The trustees allow variation from the above central strategic position due to market movements, investment of contributions, disinvestments and also as advised from time to time by the Investment Adviser and accepted by the Trustees. The variation allowed is as follows:

Asset class	Strategic assets (%)	Tactical range (%)
Hedge assets	20	10-30
Real assets	30	20-40
Growth assets	50	30-70

The Trustees in conjunction with the Investment Adviser will monitor the actual asset allocation of the Scheme.

Custody

Custody of the investment assets is provided by Pershing Securities Limited.

Appendix B - responsibilities

Trustee

The Trustees of the Scheme are responsible for, amongst other things:

i) Determining the investment objectives of the Scheme and reviewing these from time to time

ii) Agreeing an investment strategy designed to meet the investment objectives of the Scheme

iii) Reviewing triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers

iv) Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers

v) Assessing the quality of the performance and process of the investment/fund managers by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers

vi) Appointing and dismissing investment/fund managers(s), the performance measurer, custodian(s) and transition manager(s) in consultation with the Advisers

vii) Assessing the ongoing effectiveness of the Advisers

viii) Consulting with the Employer when reviewing investment policy issues

ix) Monitoring compliance of the investment arrangements with this SIP on an ongoing basis

x) Taking into account financially material considerations over the appropriate time horizon of the investments, including ESG considerations as well as the stewardship of investments. These matters are covered under part 9 (other issues) of the SIPP.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

i) Participating with the Trustees in reviews of this SIP

ii) Advising the Trustees how any changes to the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested

iii) Advising the Trustees of any changes in the Scheme's investment/fund managers that could affect the interests of the Scheme

iv) Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Scheme

v) Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current investment/fund managers, and selection of new managers/custodians/performance measurers, as appropriate

vi) Monitoring returns and providing the trustees with regular valuations – these comprise a monthly valuation with commentary combined with more formal quarterly valuations (at 31 March, 30 June, 30 September and 31 December). Additionally, a member of the investment team will attend a meeting with the trustees at least twice annually. In the event the required minimum level of return (5.35%) is not being achieved, the reasons for this will be communicated (via the regular valuations and meetings), and advice provided as appropriate regarding any changes recommended. Such advice may follow at any time, i.e. Mattioli Woods should not wait until the next meeting to communicate a concern with regard to a single holding, or the overall allocation of assets.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i) Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy

ii) Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels

iii) Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations

iv) Advising the Trustees and Investment Adviser of any changes to contribution levels and funding level

Appendix C – long-term expected rates of return

Based on the expected long-term rates of return before fees shown below for each asset class, the Trustees expect the asset classes to achieve the following rates over the very long term:

Asset class	Expected long-term rate of return above gilts (% per annum)
Matching fund	
Index-linked gilts	0%
Fixed-interest gilts	0%
Fixed-interest corporate bonds	1.5%
Investment fund	
UK equities	4.0%
Global equities	5.0%
Property/other	2.0%

These returns are based on the expected return that each asset class might achieve, on average, over a long time period.

Appendix D – fees

Fees comprise the charges of each underlying asset or fund (which generally range from 0.1% to 1.5%, Pershing's custody/platform charge (0.2%) and Mattioli Woods' Investment Adviser charge (0.2%). The below fees include all associated costs with managing the funds, including audit, accountancy, performance fees and custody.

Currently the individual asset/fund charges (not including Pershing's custody charge or Mattioli Woods' Investment Adviser charge) are as follows:

Fund	OCF
Allianz Technology	0.88%
Amati Smaller Companies	0.89%
Baillie Gifford US Trust	0.75%
Chelverton UK Equity Income	0.89%
Custodian REIT	1.55%
HarbourVest Global Private Equity	0.61%
HgCapital Trust	1.60%
HICL Infrastructure	1.11%
International Public Partnership	1.10%
iShares Physical Gold ETC *	0.15%
JP Morgan US Treasury ETF *	0.01%
Mattioli Woods Structured Products Fund *	0.92%
Morgan Stanley Sterling Liquidity Institutional	0.16%
Picton Property Income REIT *	1.95%
Polar Capital Healthcare Opps	1.17%
Royal London Short Duration Global High Yield	0.48%
Schroder Asian Income	0.92%
Standard Life Property Income REIT	2.00%

Source: Financial Express as at 28/09/2020 unless denoted by *. Source for denoted *: annual management charges from latest factsheet