

Metal Closures Pension Scheme
Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the Metal Closures Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment objectives and strategy were derived following detailed strategy discussions and on taking advice from the Trustee’s investment advisors, with consideration of the risks set out in the Appendix.

The Trustee has also taken the Myners’ Principles into consideration when making decisions about the Scheme’s investment arrangements.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles. The Scheme funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances.

In April 2022 the Trustee agreed to restructure the strategy, using some of the Scheme’s assets to purchase a buy-in policy which covers the majority of the Scheme’s liabilities.

The Scheme’s present investment objective is to achieve the return on UK Government bonds, with a nature and duration consistent with the Scheme’s liabilities.

Investment strategy

The Scheme’s investment strategy was derived following careful consideration of the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the sponsoring company’s covenant. The Trustee considered the merits of a range of asset classes, including various “alternative assets”.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the invested assets and the cost of insuring all liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities.

The Trustee has also considered a number of other risks set out in the Appendix.

Investment Management Arrangements

The Trustee has appointed an insurer and an investment manager to manage the assets of the Scheme as listed in the IID. Both parties are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment manager via a written agreement. The delegation includes decisions about:

- Realisation of investments;
- Social, environmental, ethical and governance considerations in selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee takes into account the performance targets investment managers are evaluated on. The investment manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable. The investment manager's remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis.

The custody of the holdings invested in a pooled investment vehicle is arranged by the investment manager.

Investment Manager Monitoring and Engagement

As the remaining assets are due to fund any true-up premium in respect to the buy-in insurance policy, the Trustee periodically monitors that the Scheme has sufficient assets. If this is not the case, the Trustee may need to intervene.

The Trustee acknowledges the importance of Environmental, Social and Governance factors (ESG). As the majority of the assets are invested in the buy-in policy, there is limited scope for the Trustee to incorporate ESG into the Scheme's investment strategy.

The Trustee has limited scope to engage with the Scheme's investment manager given the nature and size of the investment.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisors.

Governance

The Trustee of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisors, Isio Group Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Name, Position:

Mike Mann, Chairman of Board of Directors

Date: 3 April 2023

Appendix A – Risks

A non-exhaustive list of risks that the Trustee has taken into consideration and sought to manage, where appropriate, is shown below.

Risks	Definition	Risk Management Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> When developing the Scheme's investment and funding objectives, the Trustee takes into account the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risks	Definition	Risk Management Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	<ul style="list-style-type: none"> To broadly hedge 100% of these risks.
Concentration	Experiencing losses due to factors that affect the overall performance of the financial markets.	<ul style="list-style-type: none"> To remain appropriately diversified and hedge away any unrewarded risks, where possible.
Credit	Default on payments due as part of a financial security contract.	<ul style="list-style-type: none"> To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: <ul style="list-style-type: none"> • Responsible Investment ('RI') Policy / Framework • Implemented via Investment Process • A track record of using engagement and any voting rights to manage ESG factors • ESG specific reporting • UN PRI Signatory
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<ul style="list-style-type: none"> • Hedge all currency risk on all assets that deliver a return through contractual income.
Longevity	Members of the Scheme living longer than expected, leading to a larger than expected liability.	<ul style="list-style-type: none"> • To hedge the majority of this risk through the purchase of the buy-in policy.
Reinvestment Risk	Proceeds from the payment of principal and interest which may be reinvested at a lower rate than the original investment.	<ul style="list-style-type: none"> • The Trustee monitors the Scheme's investments on an ongoing basis and will consider changing the strategy if returns are insufficient to achieve the objectives.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	<ul style="list-style-type: none"> ▪ Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B – Policies in relation to the investment management arrangements

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the Scheme’s investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<ul style="list-style-type: none"> As the Scheme is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustee’s policies. However, the purchase of the buy-in policy and the pooled fund holdings are aligned to the strategic objective.
<p>How the Scheme’s investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> The Trustee reviews their investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustee’s Investment Advisor monitors the investment managers’ engagement and voting activity on a periodic basis as part of their ESG monitoring process. The Trustee does not incentivise their investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of the Scheme’s investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p>	<ul style="list-style-type: none"> The Trustee reviews the performance of all of the Scheme’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme’s arrangements with the investment managers</p>	<ul style="list-style-type: none"> All of the Scheme’s funds are open ended. The duration is flexible, and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held. The purchase of the buy-in policy is a permanent investment, but this was deemed to be appropriate for the Scheme given the additional security it provides for members’ benefits.
<p>Voting Policy - How the Trustee expects investment managers to vote on their behalf</p>	<ul style="list-style-type: none"> The Trustee acknowledges responsibility for the voting policies that are implemented by

	<p>the Scheme's investment manager and insurer on its behalf.</p> <ul style="list-style-type: none"> Given the nature of the strategy, the Trustee does not deem it necessary to engage with the insurer on their voting policy.
<p>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'</p>	<ul style="list-style-type: none"> The Trustee acknowledges responsibility for the engagement policies that are implemented by the Scheme's investment manager and insurer on its behalf. There is limited scope for the Trustee to engage with their investment manager given the size and nature of the investment.