ADVANCE TAPES GROUP LIMITED
RETIREMENT BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES (SIP)

April 2024

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'). This SIP also reflects the requirements of the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019. It describes the investment policy being pursued by the Trustees of the Scheme and a copy has been made available online.

The Scheme Actuary is Sarah Elwine of Broadstone Pensions Limited, and the Investment Adviser is Broadstone Corporate Benefits Limited ("Broadstone") 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 managers. The investment managers are authorised and regulated by the Financial Conduct Authority and/or the 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 and reviewed at least every 3 years.

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 by:

Signed: .... Date: 3/27/2025

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For and on behalf of the Trustees of the Scheme

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 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 help ensure the overall objective is met.

4 Defined benefit asset allocation strategy

Having considered advice from the Investment Adviser, and 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 target asset allocation set out in Appendix A.

Following discussions which began in the second half of 2020, the Trustees agreed during 2021 to the phased introduction of a Liability Driven Investment (LDI) element. In the same year the Trustees implemented a funding 'dashboard' to be updated every four months (28/2, 30/6 and 31/10). This includes updated funding information, investment details and an indicator of latest covenant strength. It also includes a 'flightpath' based on a long-term self-sufficiency funding target, incorporating details of the anticipated investment transition from growth assets to bonds/gilts using leveraged LDI on route (to help preserve the scheme's growth potential in the interim).

4.1 Rebalancing policy

In conjunction with the Investment Adviser, the Trustees will periodically monitor the actual asset allocation to ensure that it is within the parameters outlined in Appendix A. Where a meaningful deviation is identified, the Trustees will consider rebalancing the Scheme's assets based on 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

Most 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 Broadstone 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. Based on advice from the Investment Adviser, the Trustees have established an investment manager structure so that the Scheme's assets are invested in line with the target asset allocation (see Appendix A).

5.3 Diversification

The assets are invested in a diversified range of suitable investments of different types and with different investment fund managers 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 monthly valuation and a performance summary versus agreed benchmarks.

The Advisers, on behalf of the Trustees, will regularly review the activities of the investment managers to satisfy themselves that each underlying holding continues to carry out its work competently and has the appropriate knowledge and experience to manage the asset class(es) for which the investment manager has been appointed..

If the Trustees are not satisfied with an individual investment manager, based on advice from the Investment Adviser, they will identify an alternative provider and will arrange for assets to be transitioned between them.

6.2 Advisers

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

7 Fees

7.1 Investment/fund managers

The Trustees will ensure that the fees paid to the individual investment managers are consistent with levels typically available in the industry and the nature of services provided. The current fee basis for each investment manager 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, other than Able Governance Ltd (anindependent trustee) who is paid by the Scheme. In respect of the non-professional trustees, 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.

As outlined earlier (under part 4) the Trustees in discussion with their Advisers have developed a 'flightpath' towards self-sufficiency which includes details of a targeted investment transition from growth assets to bonds/gilts using leveraged LDI on route. However, the trustees have also agreed with their Advisers that some flexibility is appropriate in terms of how quickly any inflation hedge is increased. In this regard, it is likely that the implementation of the leveraged LDI element will continue to be gradual, especially in an environment where inflation is rising strongly.

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 using 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 considered 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 every four months (28/2, 30/6 and 31/10) 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 recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the investment managers. The Trustees have an expectation that the investment managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustees do not currently impose any specific restrictions on the investment manager regarding ESG issues but will review this position from time to time. The Trustees receive information on request from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

Regarding the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their Investment Adviser.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expects the investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

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 to improve their performance in the medium to long-term.

By using pooled funds, the Trustees can 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.

- The duration of the arrangement with the asset manager

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the investment manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

Appendix A – further details

Quantitative investment objective

The *long-term quantitative* objective for the Scheme's Growth assets is to target an investment return more than 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 derived from the scheme's funding dashboard and associated 'flightpath' (towards self-sufficiency).

As of 29 February 2024, the Scheme's assets were invested in line with the 'flightpath' highlighted in green and the Trustees will monitor the 'actual' allocation relative to this on a periodic basis.

Funding level (self-sufficiency)	**75%**	**80%**	**85%**	**90%**	**95%**	**100%**	**110%**
% Growth assets	95%	90%	**75%**	50%	30%	10%	0%
% Bond/gilt	0%	0%	**10%**	30%	45%	65%	100%
% LDI	5%	10%	**15%**	20%	25%	25%	0%
Target interest rate hedge ratio	5%	10%	**40%**	40%	70%	75%	100%

The Trustees allow variation from the 'flightpath' due to market movements, investment of contributions, disinvestments and as advised from time to time by the Investment Adviser and accepted by the Trustees.

The Trustees, in conjunction with the Investment Adviser, have established the following manager structure to implement the current 'flightpath' allocation:

Asset Class	Manager	Allocation
Growth Assets		**73.0**
Global Equities	LGIM	43.0
Dynamic Diversified Growth	LGIM	16.0
Property	Various	--
'Buy & Maintain' Credit	Insight	14.0
Bond/Gilt Assets*		**10.4**
Gilt Funds	Insight	8.2
Index-Linked Gilt Funds	Insight	2.2
LDI Assets*		**14.6**
LDI Profile Funds	Insight	14.6
Cash		**2.0**
Liquidity Fund	Insight	2.0

* In combination, the 'Bond/Gilt Assets' and 'LDI Assets' aim to hedge 40% of the Scheme's interest rate risk.

It is acknowledged that the Scheme's asset allocation will not always be aligned with the flightpath indicated. For example, the Trustees have agreed to delay the sale of the Scheme's property holdings due to adverse market conditions (at time of writing) for the asset class. This means that the Scheme will be underweight 'Buy & Maintain' Credit until the property assets have been sold and the proceeds reinvested into the asset class.

If other significant deviations are identified, the reasons for this will be documented (alongside any action taken to address it over time) in the minutes following each Trustees meeting.

Managing the collateral needs of the LDI Assets

Given the leveraged nature of the LDI Assets, the Trustees have established a policy for managing collateral requirements of the investment:

- If an LDI Asset requests that additional monies be invested, due to an upward movement in yields that causes the degree of leverage employed to increase beyond the defined range, the Trustees have instructed Insight to automatically redeem assets from the Liquidity Fund to meet the collateral call.

- If an LDI Asset returns monies, due to a downward movement in yields that caused the degree of level employed to fall below the defined range, the Trustees have instructed Insight to automatically invest these monies into the Liquidity Fund.

This policy is kept under review by the Trustees and, as part of the ongoing monitoring of the Scheme's assets, will periodically 'top up' the Liquidity Fund to ensure sufficient monies are available to meet the expected collateral needs of the LDI Assets.

Custody

Custody of the investment assets held by an Investment Manager is performed by a custodian appointed by them. For the Scheme's legacy property holdings, custodial services are provided by Pershing Securities Limited.

Appendix B - responsibilities

Trustees

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) Setting investment objectives for the advisors and assessing the ongoing effectiveness against those objectives.

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 SIP.

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 way 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. 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., Broadstone should not wait until the next meeting to communicate a concern regarding 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 for each asset class held (see below), Broadstone has estimated the expected return from the Scheme's investments to be gilts +2.5% p.a.

Asset class	Expected long-term rate of return above gilts (% per annum)
Growth Assets	
Global Equities	4.0
Dynamic Diversified Growth	3.1
Property	3.5
'Buy & Maintain' Credit	1.1
Bonds/Gilts & LDI Assets	
Gilts	0.0
Index-Linked Gilts	0.0
LDI	0.0
Cash	0.0

These returns are based on the expected return that each asset class might achieve, on average, over a long time period as of 31 March 2024.

Appendix D – fees

Investment Managers

The 'Management Fee' paid to the Investment Managers comprise an ad valorum charge based on the value of assets invested (or exposure gained) in each underlying strategy plus 'Other Expenses' to cover the costs of managing these vehicles (e.g. audit, account, custody, etc).

Based on data as at 31 December 2023, the 'Management Fee' and 'Other Expenses' associated with the strategies held by the Scheme are shown in the table below:

Asset Class	Manager	Management Fee (% p.a.)	Other Expenses (% p.a.)	Total Expenses (% p.a.)
Growth Assets				
Global Equities	LGIM	0.20	0.04	0.24
Dynamic Diversified Growth	LGIM	0.40	0.13	0.63
Property	Various	See below for details		
'Buy & Maintain' Credit	Insight	0.20	0.05	0.25
Bond/Gilt Assets				
Gilt Funds	Insight	0.14	0.06	0.20
Index-Linked Gilt Funds	Insight	0.17	0.06	0.23
LDI Assets				
LDI Profile Funds*	Insight	0.41	0.06	0.47
Cash				
Liquidity Fund	Insight	0.25	0.00	0.25

** For the LDI element, to account for the leverage, the Management Fee charged by Insight is based on Scheme's exposure to gilts/index-linked gilts via these funds rather than the value of assets invested. Specifically, Insight charges a Management Fee of 0.12% of the exposure, which equated to approximately 0.41% of assets invested as at the end of 2023.*

Property Fund	Management Fee (% p.a.)	Other Expenses (% p.a.)	Total Expenses (% p.a.)
Abrdn Property Income	2.00	0.2	2.20
Custodian REIT	2.48	0.2	2.68
HICL Infrastructure	1.07	0.2	1.27
Home REIT	1.41	0.2	1.61
International Public Partnership	1.18	0.2	1.38