Solo Cup Europe Pension Plan (the 'Plan') - DB & DC Sections
Statement of Investment Principles ("SIP")

This Statement of Investment Principles sets out the Trustees' policies for investment of Plan assets representing members' defined benefit and defined contribution benefits and as required by section 35 of the Pensions Act 1995.

DB Section

Investment Objective

The Trustees aim to invest the assets of the Plan prudently with the intention that the benefits promised to members are provided. In setting the DB investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Plan's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The overall objective has been agreed with the Employer and is as follows:

The current investment strategy targets an expected return over the liabilities (as valued by gilt yields) of at least 3% per annum (net of fees).

STRATEGY

The current **planned asset allocation strategy** chosen to meet the objective above is set out in the table below. The Trustees will monitor the actual asset allocation versus the target weight and re-balance where they consider it necessary.

Asset Class	Current Weighting %	Control Ranges +/-
All World Equity Index Fund	30.0	5.0
Investment Grade Corporate Bond – Over 15 Year Index Fund	44.0	5.0
Over 5 Year Index Linked Gilts	26.0	2.0
Sterling Liquidity Fund	0.0	-

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. The Trustees' policy is to make the assumption that equities will outperform gilts over the long term and assumes that active fund management can be expected to add value. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Plan's liabilities and the risk that the fund managers do not achieve the targets set. When choosing the Plan's planned asset allocation strategy the Trustees considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes including property.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustees also consulted with the sponsoring employer when setting this strategy.

RISK

The Trustees maintain a ‘Statement of Funding Principles’ which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Plan’s liabilities as determined by an actuarial calculation.

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for its liabilities (“funding risk”). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Plan’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan’s immediate liabilities (“cash flow risk”). The Trustees will manage the Plan’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees (“manager risk”). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustees and their advisers considered this risk when setting the Plan’s investment strategy and have also mandated to each of the fund managers employed that a suitably balanced portfolio of assets should be maintained at all times.
- The possibility of failure of the Plan’s sponsoring employer (“covenant risk”). The Trustees considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustees have 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.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Plan’s liabilities and implemented it using a range of asset classes and funds, the Trustees' policy is to monitor these risks quarterly, where possible. The Trustees receive regular reports showing:

- Progression of the Plan's funding level.
- Performance of individual fund managers versus their benchmarks.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

DC section

Investment Objective

The Trustees are responsible for investing the assets of the DC section in a prudent manner. Their key aim is to provide a range of investment options that are suitable for meeting members' long- and short-term investment objectives, based upon the Trustees' consideration of members' needs.

STRATEGY

The Trustees recognise that members have different attitudes to risk and differing investment needs and that these may change during the course of members' working lives.

The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees' objectives are as follows:

- To provide a default investment option for members who do not make their own investment decisions.
- To offer a lifestyle strategy that enables members to reduce risk in their investments as they approach retirement.
- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
- To offer funds which facilitate diversification and long-term capital growth.
- To restrict the number of funds to avoid unnecessarily complicating members' investment decisions.

The DC Section assets are held in an insurance contract with Legal & General Investment Management Limited ('LGIM'). Investment in the insurance contract is under the control of the Trustees and it is the Trustees' policy to review the investments and to obtain written advice about them at least every three years.

The current range of funds was chosen by the Trustees after taking advice from their investment advisers. In choosing the Plan's investment options, it is the Trustees' policy to consider:

- The need to offer a full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution section.
- The need for appropriate diversification of asset classes.

The Trustees expect the long-term returns on the Global Equity Fund to exceed price inflation and general salary growth.

The long-term returns on the Gilt and Cash funds are expected to be lower than the returns on the Global Equity Fund. However, the volatility and price movements of the Gilt Fund are expected to broadly match the price of index-linked annuities, giving some protection in the amount of secured pension for members close to retirement. The Cash Fund aims to provide protection against changes in short-term capital values and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

The default investment option is a lifestyle strategy whereby assets are moved from equities to gilts and cash as a member approaches retirement. The lifestyle option is designed to be appropriate for a typical member who is looking to take 25% of their fund as tax-free cash and secure an income by way of an index-linked annuity with the remainder of their fund at retirement.

The lifestyle option invests entirely in the LGIM Global Equity 70:30 Index Fund until five years before the members' selected retirement age ('SRA'). Assets are then switched to the LGIM Over 5 Year Index-Linked Gilt Index Fund and the LGIM Cash Fund, as shown in the table below.

Years to SRA	LGIM Global Equity 70:30 Index Fund %	LGIM Over 5 Year Index-Linked Gilt Index Fund %	LGIM Cash Fund %
0	0	75	25
1	20	60	20
2	40	40	20
3	60	30	10
4	80	15	5
5	100	0	0

Members can choose to invest in the LGIM Global Equity 70:30 Index Fund, LGIM Over 5 Year Index-Linked Gilt Index Fund and the LGIM Cash Fund as self-select funds.

RISK

The Trustees recognise the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustees considered this risk when setting the investment options and strategy for the DC section. The Trustees' policy in respect of risk measurement methods and risk management processes is set out below.

- **Risk of unsuitability of default investment strategy** – the risk that the default investment strategy will be unsuitable for the requirements of some members (such as those who take benefits before SRA, or those who do not purchase an annuity). The Trustees seek to mitigate this risk by regularly reviewing the suitability of the default investment strategy, in view of the format in which members can take their benefits from the Plan and investment options available at the time.

- **Market fluctuations** – fluctuation in the value of investments means that there is a possibility that the members' fund will have to be realised at an inopportune time to provide retirement benefits. For those members invested in the default investment option, their funds will automatically be switched into lower risk funds as they approach retirement, as described in the previous section, with the aim of reducing market volatility. Where members are making their own investment choices, it should be noted that the risk profile of the members' assets will be affected by their choice of funds, and that the range of funds available includes funds that are aimed at offering relative security as retirement approaches.

- **Annuity purchase risk** – annuity rates may be more expensive than anticipated and more expensive annuity rates could coincide with a time when retirement funds have lost value due to market fluctuations. For those members invested in the default investment option, their funds intended for annuity purchase will automatically be switched into index-linked gilts as they approach retirement, with the aim of protecting the level of annuity that can be purchased.

- **Inflation risk** – the absolute return on investments, and hence the value of the members' fund may be diminished by inflation. To help mitigate this risk, a fund which aims to provide real growth (in excess of inflation) over the long term is used in the growth phase of the default investment option, and is available as a self-select fund.

- **Manager risk** - the failure of the fund managers to meet their objectives. This risk is considered by the Trustees and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.

- **Operational risk** - the risk of fraud, poor advice or acts of negligence. The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to periodically review the range of funds offered and the suitability of the lifestyle strategy.

These risks are considered as part of each triennial strategy review. In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks on a regular basis, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

The following content relates to the DB section and the DC section of the Plan.

IMPLEMENTATION

Aon Solutions UK Limited ("Aon") has been selected as investment adviser to the Trustees. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Aon are paid an annual fee for an agreed range of services needed on a regular basis. Any additional services falling outside those agreed will be charged for separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

The fund manager structure and investment objectives for each fund manager are as follows:

DB section
Legal & General Investment Management Ltd – All World Equity Index To track the performance of the FTSE All-World Index (less withholding tax if applicable) to within +/- 0.5% per annum for two years out of three.
Legal & General Investment Management Ltd – Investment Grade Corporate Bonds – Over 15 Year Index Fund To track the performance of the Markit iBoxx £ Non-Gilts Over 15 Years Index to within +/- 0.5% per annum for two in three years.
Legal & General Investment Management Ltd – Over 5 Year Index-Linked Gilts Index Fund To track the sterling total returns of the FTSE A Index-linked (Over 5 Year) Index to within +/- 0.25% per annum for two in three years.
Legal & General Investment Management Ltd – Sterling Liquidity Fund To provide capital stability, liquidity and diversification while providing a competitive level of return.
DC section
Legal & General Investment Management Ltd – Global Equity 70:30 Index Fund To provide diversified exposure to the UK and overseas equity markets using an index tracking strategy which aims to capture the total Sterling performance of the UK and overseas equity markets as represented by the FTSE All Share Index for the UK and the FTSE All-World (ex UK) Index series for overseas. A 70/30 distribution between UK and overseas assets is maintained with the latter including developed and emerging markets.
Legal & General Investment Management Ltd – Over 5 Year Index-Linked Gilts Index Fund To track the sterling total returns of the FTSE A Index-linked (Over 5 Year) Index to within +/- 0.25% per annum for two in three years.
Legal & General Investment Management Ltd – Cash Fund To perform in line with 7 Day GBP LIBID, without incurring excessive risk. The fund primarily holds short term deposits (up to a normal maximum maturity of 35 days) with a range of high quality financial institutions. The fund may also provide other PMC funds with overnight funding, normally this will not exceed 10% of the fund.

The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

In setting the Plan's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance.

Arrangements with Asset Managers

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustees regularly monitor the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment adviser.

The Trustees receive regular reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assess the investment managers over 3-year periods.

The Trustees share the policies, as set out in this SIP, with the Plan's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustees will express their expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustees' meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

The Trustees regularly review the continuing suitability of the appointed managers and take advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager (where possible) and seek a more sustainable position but may ultimately look to replace the manager.

The Trustees expect that their investment managers will provide details of their stewardship policy and activities as part of routine, periodic, reports that are provided to the Trustees, and will monitor this with input from their investment adviser.

The Trustees review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Plan's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustees will engage with the Plan's investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This information, along with information on how the policies set out in this Statement were applied across the Plan's investments, will be shared with both DB and DC members in the annual Implementation Statement.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan 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]).

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

Cost Monitoring

The fund managers are remunerated on an ad valorem basis. The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by the Plan's investment managers / members that can increase the overall cost incurred by their investments.

The Trustees collect annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate reporting templates for each asset class. This allows the Trustees to understand exactly what the Plan is paying the investment managers. The Trustees work with their investment adviser and investment managers to understand these costs in more detail where required.

For the DC Section, the Trustees collect information on member-borne costs and charges on an annual basis, where available, and set these out in the Plan's Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement").

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends.

Evaluation of Investment Managers Performance and Remuneration

The Trustees assess the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data in line with appropriate reporting templates.

GOVERNANCE

The Trustees are responsible for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees

- Set structures and processes for carrying out their role.
- Select and monitor planned asset allocation strategy.
- Monitor actual returns versus the Plan's investment objective, or members' assumed investment objectives.
- Select and review direct investments (see below).

Investment Adviser

- Advise on all aspects of the investment of the Plan's assets, including implementation.
- Advise on this statement.
- Provide required training.

Fund Managers

- Operate within the terms of this statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Comment, where applicable, on the suitability of the indices in their benchmark.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustees' policy is to review their direct investments and to obtain written advice about them regularly. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees will review this SIP at least every three years and following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

September 2020