MUNTERS RETIREMENT BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

September 2020

1. INTRODUCTION

This Statement of Investment Principles ("the Statement") has been drawn up by the Trustees of the Munters Retirement Benefits Scheme in order to meet the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pension Act 2004) - "the Act" - the Occupational Pension Schemes (Investment) Regulations 2005 (S12005/3378) and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019.

The main purpose of the Statement is to set out details of the investment strategy being followed, the Trustees' investment objectives and their attitude to risk.

The Scheme's assets are held in trust by the Trustees whose powers in investment are set out in Rule 5 of the Trust Deed and Rules dated 29th Aprill1996.

The Act allows the Trustees to rely on advice from qualified third parties and in drawing up this Statement, the Trustees have obtained such advice from:

- Capita Employee Benefits (Consulting) Ltd - as advisers to the Pension Scheme
- Graham Newman FIA, Capita Employee Benefits (Consulting) Ltd ("Capita") - as Scheme Actuary
- Aviva Life Services UK Ltd ("Aviva") - as the Trustees' appointed investment manager

As required by the Act, the Trustees have also consulted R3 Polygon (UK) Ltd, as sponsoring employer of the Scheme.

The investment managers appointed by the Trustees are required to comply with this statement.

2. SCHEME BACKGROUND

The Scheme provides benefits primarily on a defined contribution basis, related to the value of a member's fund at the time the retirement annuity is purchased. The Scheme provides benefits on a defined contribution basis, an underpinned defined contribution basis and a defined benefits basis. The Scheme historically provided benefits on a defined benefit basis, moving to defined contribution basis in May 1991. The Scheme was also historically contracted-out of the State Earnings Related Pension Scheme on a salary-related basis, continuing to be so until 5 April 1997. At this time, the Scheme became contracted-in to SERPS for future accrual. The Scheme holds both non-earmarked assets backing the defined benefit liabilities and earmarked assets held in individual member accounts backing the defined contribution liabilities."

The Scheme has a legacy as a wholly-insured occupational pension scheme and has historically invested in specified qualifying insurance policies. The insurance policies were provided by Aviva, who still remain the investment manager.

Historically, financial penalties applied to the assets on moving from the insurance policies.

3. COMPLIANCE WITH SECTION 224 OF THE PENSIONS ACT 2004

Section 224 of the Pensions Act 2004 requires that the Trustees must obtain actuarial valuations at least once every three years, with the Scheme Actuary valuing the Scheme's assets and calculating its technical provisions. The investment strategy adopted must be taken into account when calculating the technical provisions.

Having obtained advice from the Scheme Actuary, the Trustees consider that the Scheme's funding level and liability profile does not impose significant constraints on investment policy.

4. STRATEGIC MANAGEMENT

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustees.

In practice, the Trustees' fundamental responsibility is the strategic management of the assets. Day to day management is delegated to a professional investment manager.

Strategic management covers the following areas:-

a) determining whether the assets should be invested in pooled investment vehicles, or in a segregated portfolio of securities specifically managed for the Scheme, or in a combination of the two

b) determining whether the day to day investment policy should be managed on a "passive" or "active" basis, or a combination of the two

Note passive management seeks to replicate the investment returns achieved by the major stock market indices

active management seeks to add value to investment performance through the judicious selection of stocks and stock markets

c) selection of a fund or range of funds appropriate to the nature of the Scheme, to provide both asset growth and security, within risk management guidelines

d) selection, appointment and monitoring of one or more investment managers chosen to implement the Trustees' strategic decisions, and to achieve the Trustees' objectives set out in Section 5 below

In reaching their strategic decisions, the Trustees consider advice from their advisers.

5. INVESTMENT MANDATE

The Trustees have selected Aviva as the investment manager (the 'Investment Manager') to manage the assets of the Scheme. The Investment Manager is regulated under the Financial Services and Markets Act 2000.

- The Trustees have a rolling contract with their Investment Manager.
- The Trustees monitor the performance of their Investment Manager on a regular basis.
- The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

6. INVESTMENT MANAGER REMUNERATION

The Trustees monitor the remuneration and incentives, that are paid to their Investment Manager and how it rewards its key staff who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they ensure that this policy is in line with their investment strategy.

7. INVESTMENT MANAGER PHILOSOPHY AND ENGAGEMENT

The Trustees monitor the Investment Manager's processes for assessing the businesses it invests in, and whether business performance over the medium to long-term involves appropriate incentives and a holistic look beyond mainly accountancy measures. The Trustees are conscious of whether the Investment Manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

8. INVESTMENT MANAGER PORTFOLIO COSTS

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, as long as the Investment Manager provides these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, their Investment Manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then the Trustees will monitor compliance with these targets.

9. INVESTMENT OBJECTIVES

The Trustees' overall investment policy is guided by the following objectives:-

a) to invest the non-earmarked assets in funds or investments in such proportions so as to meet the current and future liability profile of the Scheme, taking into account its closed nature

b) to offer a fund or range of funds for the individual earmarked assets appropriate to the nature of the Scheme, providing both the opportunity for asset growth and security

c) to set (where possible) and monitor realistic performance targets for the appointed investment manager(s)

10. RISK

In determining the strategy required to fulfil their objectives, the Trustees have considered the following risks:-

10.1 Diversification

Concentration of investment in too narrow a range of securities and/ or asset classes could expose the assets to the risk of capital losses and excessive volatility. The Trustees believe that this risk has been met for the non-earmarked assets through the use of three pooled investment funds, and for the earmarked assets by providing member choice over investment in a range of eleven pooled unitised funds.

10.2 Unrealistic Performance Targets

The setting of unrealistic performance target could lead to the Investment Manager taking unacceptable risks in day to day management decisions.

The Trustees have adopted the performance targets set by the manager for each fund (Section 8) and believe that these are fair and reasonable.

10.3 Unsuitable Investments

Whilst the Trustees accept the need for diversification, they recognise that some types of investment, which may prove unsuitable, could be considered. These include;

- use of derivatives
- currency hedging (for speculative reasons)
- illiquid investments
- cash deposits with institutions subject to inadequate credit ratings

The Trustees have considered these investments in conjunction with their Investment Manager and are satisfied that appropriate precautions are in place. The Trustees do not wish to inhibit the Investment Manager's ability to use instrument such as derivatives and currency hedging when these are considered appropriate. On no account may such instruments be used to speculate or to gear the value of the fund.

10.4 Manager Restrictions & Controls

The governing documents for the funds impose broad restrictions on the assets held. The governing documents allow the manager to readily alter its management approach according to changing markets. Internal restrictions are imposed on the managers of the funds. These controls are framed so as to reflect the house investment style and approach, and may be varied frequently.

In exercising their delegated responsibilities and meeting performance objectives, the Investment Manager will be required to adhere to this Statement. The manager will also ensure that suitable internal operating procedures are in place to control individuals making investments for the funds.

10.5 Self-Investment

Under Rule 5(f) of the Trust Deed and Rules dated 29th April 1996 self-investment is subject to the restrictions as stipulated by legislation.

10.6 Inadequate Returns

In the long term the Trustees have a responsibility that the investment funds offered to the members do not generate excessive volatility and that the assets at retirement are sufficient to meet the members' reasonable expectations at retirement.

In part this means that investment returns should represent a reasonable margin in excess of earnings inflation and price inflation, but allowing for a degree of security, especially where members are approaching retirement. The Trustees believe that the range of funds offered by the manager offers sufficient scope to achieve this aim.

11. INVESTMENT STRATEGY

Taking account of the above, the Trustees' have opted for an investment strategy as set out below:

a) to invest the non-earmarked assets in the pooled pension funds, spread between equities and bonds as set out below:

		% of assets	Variation allowed
Global equities		70	+ or -5%
Split between regions			
	UK	60	+ or -5%
	Overseas	40	+ or -5%
Bonds		30	+ or -5%

b) to offer a range of eleven pooled pension funds for the earmarked assets in order to provide a sufficient diversification of investments. Members are able to invest in one or more of these
funds, in whatever proportion they choose.

c) to achieve the aims set out in Section 6. above through the use of a balanced mixed fund as a default fund where no member choice is made

12. DAY TO DAY MANAGEMENT OF THE ASSETS

The investment funds used for non-earmarked assets and offered for the earmarked assets are as set out below. The Investment Manager has been given full discretion as to the day to day investment policy for each of the funds offered and each is responsible for constructing the portfolio of holding

Self select fund	Total Expense Ratio p.a.
Global Equity	1.00%
UK Equity	1.00%
Investment Trust Portfolio	1.00%
Cautious Managed	1.00%
Managed	1.00%
Guaranteed Deposit	1.00%
Cash	1.00%
Fixed Interest	1.00%
Pre-retirement Fixed	1.00%
Property	1.00%

The performance of each of the funds and managers is measured against the respective benchmarks and performance targets.

The Trustees will review the performance at least annually, but usually at each meeting of the Trustees, in conjunction with the Scheme's advisers.

In the event of the fund failing to meet the performance objective the Trustees will carry out a review and may consider a change of manager.

13. REALISATION OF INVESTMENTS

Should the investments need to be realised, the following terms historically applied:

a) Partial realization;

A penalty of between 5% and 5.5% is applied to the value of the investments, and realisation costs may be deducted which vary from time to time

b) Full realization;

As above

14. POLICY ON FINANCIAL MATERIAL CONSIDERATIONS OVER AN APPROPRIATE TIME HORIZON

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that environmental, social and governance ("ESG") considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustees recognise that this is a hybrid scheme with an ageing membership and no active members but with no current plans to wind up or buy out members' liabilities. Consequently they believe that an appropriate time horizon is potentially in excess of 10 years.

The Trustees have elected to invest member assets in multiple asset classes at one manager in pooled funds and therefore it is difficult to directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider manager policies in any future choice of provider/manager and will deepen their understanding of their existing manager's policies by reviewing these at least annually. They are keen that the Investent Manager is a signatory of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that the Investment Manager can explain when, and by what practical methods, the manager monitors and engages with relevant persons about relevant matters in this area. They will be liaising with them to obtain details of voting behaviour (including the most significant votes cast on the Scheme's behalf and what proxy voting services have been used) and will then be reporting annually on this. The Trustees are also keen that the Investment Manager is a signatory of the UK Stewardship Code, which is currently the case.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their Investment Manager. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required.

Non-financial matters, including members' views are not currently taken into account explicitly.

15. ADDITIONAL VOLUNTARY CONTRIBUTIONS (VCS)

The Scheme is closed to future contributions, including AVCs. The Trustees remain responsible for any AVCs paid previously. Members are offered the full range of eleven funds for the investment of AVCs and these may be invested in any one or more of the funds offered.

16. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this statement annually. In particular they will obtain written confirmation from the Investment Manager that they have complied with this Statement and the Trustees undertake to advise the Investment Manager promptly and in writing of any material change to this Statement.

17. REVIEW OF THIS STATEMENT

The Scheme Trustees review this statement after consultation with their professional advisers and the Employer once every three years, and immediately after any significant change in investment policy.

Any such review will again be based on written, expert investment advice and will be in consultation with the employer.

Signed .... Dated 2nd October 2020.
Jeremy Sykes

Signed .... Dated 2nd OCTOBER 2020
Purmpal Taggar