XPS Investment

Iggesund (UK) Pension Scheme

Statement of Investment Principles

March 2023

Statement of Investment Principles

The Trustee of Iggesund (UK) Pension Scheme ("the Scheme") has prepared this Statement of Investment Principles ("the SIP") in accordance with the Pensions Act 1995[1] ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005 as well as the principles recommended by the Myners Code.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustee in respect of assets covering Defined Benefit liabilities.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP the Trustee has:

- Obtained and considered the written advice from the Scheme's Investment Consultant, XPS Pensions, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the employer.

Investment objective and strategy

Choosing investments

The Trustee has selected a bulk annuity policy ("the Policy") with Aviva ("the Insurance Provider") through which benefits due under the Scheme are secured. The selection of the policy was made having taken investment advice, the advice covered the suitability of the Policy, whether there was any need for diversification given Scheme circumstances and the principles within this Statement.

Following the buy-in, the Iggesund Section held a residual surplus of c.£10.5m with LGIM. The Trustee invested the residual surplus assets, as well as excess cash of c.£13m held in the Trustee bank account, in a selection of gilt funds with LGIM which aligns with the Aviva price lock policy.

The Trustee sets the investment strategy and investment policies for the Scheme's surplus assets.

The Trustee relies on the Investment Manager for the day-to-day management of the Scheme's surplus assets but retains control over all decisions made about the investments in which the Scheme invests.

Where Investment Managers are delegated discretion under Section 34 of the Act, the Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Investment Manager is authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Investment Manager will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

The Trustee relies on the Investment Manager to appoint appropriate Custodians for pooled funds who are responsible for the safekeeping of the surplus assets of the Scheme.

The Trustee relies on the Investment Manager to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Scheme's entitlement within the pooled funds.

Investment objective and strategy

Investment objective

On 7 December 2022, the Scheme made a full disinvestment of all invested assets and entered into the Policy with the Insurance Provider to cover all member benefits.

Iggesund Section

The Trustee has set the following objective:

- To ensure the Scheme is able to meet benefit payments promised as they fall due.
- To invest the surplus assets such that they move in line with the insurance policy.
- To adhere to the provisions contained within this SIP.

Modo Section

The Trustee has set the following objective:

- To ensure the Scheme is able to meet benefit payments promised as they fall due.
- To adhere to the provisions contained within this SIP.

Investment strategy

Across both Sections of the Scheme the Trustee intends to meet the investment objective by investing in an insurance policy that will meet the benefit outgo.

The surplus assets held within the Iggesund Section will be invest in gilt funds such that they move in line with the Policy.

Investment restrictions

The Trustee intends to adhere to the following restrictions:

- No more than 5% of Scheme assets can be held in investments related to the Employer.
- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g. for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.

Investment risk

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme (however most of these are mitigated directly by the Policy):

- Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position and the risk the insurer become insolvent.
- Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid.
- Inappropriate investments - The risk that the Insurance Provider invests in assets or instruments that are not considered to be appropriate.

- **Counterparty risk** – The risk that a third party fails to deliver cash or other assets owed to the Scheme.
- **Political risk** - The risk of an adverse influence on investment values from political intervention.
- **Custodian risk** - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements.
- **Fraud/Dishonesty** - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Realising investments

Under the policy the Insurance Provider provides cash to the administrator to meet benefit payments due.

Responsible investment

As all of the Scheme's assets are invested in the Policy with the Insurance Provider, ESG factors are not expected to have a material impact on investment risk and return outcomes over the time horizon of the investment. However, the Trustee has delegated to the Insurance Provider the responsibility for assessing any impact of ESG factors when making investment decisions in relation to the assets it holds to support the buy-in policy.

As the Scheme invests in the Policy, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the Policy is invested. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Insurance Provider. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes.

With regards to the surplus assets, the Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Manager. The Trustee requires the Scheme's Investment Manager to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

Signed on behalf of the Trustee:

Signature: ....

Name: J.J. LOWE

Date: 2/4/2023

Appendix - Investment strategy

Iggesund Section

Overall strategy

On 7 December 2022, the Scheme made a full disinvestment of all invested assets and entered into the insurance contract with the Insurance Provider to cover all member benefits.

The surplus assets are invested as follows:

Asset class	Expected return (above gilts pa)	Manager and fund	Objective
Gilts	-0.1%	LGIM 2027 Gilt Fund	To provide exposure to gilt markets.
		LGIM 2049 Gilt Fund	
		LGIM 2058 Index-Linked Gilt Fund	
		LGIM 2037 Index-Linked Gilt Fund	
		LGIM Sterling Liquidity Fund	

Realising investments

Under the Policy the Insurance Provider provides cash to the administrator to meet benefit payments due.

AVCs

The Trustee has made the following AVC investment options available to members of the Scheme:

- Phoenix Life (NPI) – Unitised Fund
- Utmost Life & Pensions (formerly known as Equitable Life)

The Trustee will review the AVC providers, as well as the funds available, in the light of their performance on a periodic basis. Performance of these funds will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options. The Trustee reviewed the Utmost Life & Pensions AVC arrangement in December 2019.

The Trustee is aware that members' AVC funds are subject to the same risks faced by the Scheme's investments, such as inflation risk eroding real returns. In addition, AVC members face the risk that their investments will not meet their future expectations (for example, if they are planning to purchase an annuity at retirement), lack of transparency on how their fund is managed and also that their AVC fund may fall in value.

The Trustee considers that, in making a number of funds available, they provide these members with sufficient options to meet their reasonable expectations and to mitigate the risks faced.

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Contact us
xpsgroup.com