Devro Limited (UK) Pension Plan
Statement of Investment Principles

This is the Statement of Investment Principles prepared by the Trustees of the Devro Limited (UK) Pension Plan (the "Scheme"). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and of the Occupational Pension Schemes (Investment) Regulations 2005.

In preparing this statement the Trustees have consulted Devro (Scotland) Limited (the "Principal Employer"), and obtained advice from PwC LLP, the Trustees' investment consultants. PwC is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.

This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

The investment powers of the Trustees are set out in Clause 9(c) of the Trust Deed & Rules, dated 2014. This statement is consistent with those powers.

Investment objectives

The Trustees' main investment objectives are:

- to ensure that they comply with their duties under the Trust Deed and Rules and in particular meet members' entitlements as they fall due;
- to manage volatility of the Scheme's contribution levels by controlling the expected returns of the Scheme's investments;
- to invest in sufficient liquid assets to be able to pay members' benefits without requiring the Scheme to disinvest on unfavourable terms;
- to manage the risk of the assets failing to meet the liabilities over the long term;
- to achieve sufficient positive return from the Scheme investments to minimise the long-term costs of the Scheme whilst having regard to the above objectives.

Policies

Choosing investments

The Trustees' policy is to set the overall investment strategy and the select managers to invest to meet that strategy. The performance of the managers will be assessed against the strategy and individual targets. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

The day-to-day management of the Scheme's assets is delegated to one or more fund managers as set out in the next section. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights where applicable. The Trustees are satisfied that the investment managers have appropriate knowledge and experience for managing the investments of the Scheme.

The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

Kinds of investments to be held

The Scheme can invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, long lease property, currency, high yield debt and derivatives;
- Annuity policies.

The Trustees monitor the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than set out in legislation. Typically this check is carried out annually by the Scheme's auditors.

Balance between different kinds of investment

The allocation between different asset classes is set out in the next section.

The aim of the Trustees is to hold assets classes that allow them to meet their objectives. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the next section.

The Scheme may hold cash in order to meet any short term cashflow requirements and in doing so may deviate temporarily from any strategic allocation.

The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's funding position changes and the liability profile matures.

Risk

The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

- Risk versus the liabilities - The Trustees will review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles or any other such basis as the Trustees consider suitable.

- Asset Allocation risk - The asset allocation is monitored on a regular basis by the Trustees.

- Fund manager risk - The Trustees monitor each of the Scheme's fund manager's performance on a regular basis. In addition the Scheme's investment advisors will meet periodically with each fund manager and make quarterly (or as appropriate) reports to the Trustees, along with any recommendations as they see fit. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

- Concentration risk - Each fund manager is expected to manage portfolios that are diversified and where applicable to spread assets across a number of individual shares and securities.

- Loss of investment - The risk of loss of investment by each fund manager and custodian is assessed by the Trustees. Each fund manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.

- Liquidity risk - The Scheme invests in sufficient liquid assets such that there is scope to convert to cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators are responsible to the Trustees for ensuring that there is sufficient cash available to meet cashflows.

- Covenant risk - The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

- Solvency and mismatching risk - The risk that the assets do not have a sufficiently similar profile to the liabilities in terms of liquidity and timing. The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

- Currency risk - The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

- Counterparty risk - The risk to each party of a contract that the counterparty will not meet its contractual obligations. A number of suitable counterparties will be used to minimise exposure to any one counterparty, and the list will be monitored on an ongoing basis.

Expected returns

The Trustees assess each investment they hold in terms of investment risk and expected return. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers within the constraints set out in any management agreements.

The Trustees recognise that the liabilities of the Scheme depend on interest rates and inflation and will distinguish between nominal and real returns when making appropriate allowance for inflation, and when making investment decisions.

In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

Having established the investment strategy, the Trustees monitor the performance of each fund manager against an agreed benchmark as required by market conditions and movements in the Scheme's liabilities.

Environmental, social and governance considerations

The Trustees have a duty of care to act in the best financial interests of the Scheme's beneficiaries. This includes considering Environmental, Social and Corporate Governance ('ESG') risks and opportunities that may be financially material to the Scheme. The Trustees take this into account through due diligence when appointing, monitoring, engaging with and replacing investment managers to manage the Scheme's assets.

The Trustees have delegated overall stewardship of the Scheme's underlying investments to the investment managers, including the exercise of the rights (including voting rights) attaching to the Scheme's investments and engagement with investee companies on their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. This approach is in line with the Trustees' investment strategy, and the Investment Committee are planning to actively consider ESG matters in the Scheme's investment portfolio.

The Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The delegation of these tasks to the investment managers is in line with the Trustees' policy. The Trustees will request details of the exercise of these rights on a periodic basis, and make further investigations as and when necessary.

Investment managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis. Each investment manager also has their own conflicts of interest policy, which sets out their internal procedure on such matters.

These arrangements are periodically reviewed and the ESG activities of the managers are considered where the Trustees see fit. The Trustees, with help from their investment adviser, will seek to engage with managers relating to their ESG policies and approach.

Where the Trustees do not believe a managers' approach to ESG matters is consistent with their goals to deliver an appropriate level of long-term returns for the Scheme and the managers have failed to respond to efforts to engage them, the Trustees may seek to switch the manager(s) with a suitable replacement(s).

Currently the Trustees do not take into account non-financial matters such as member views. However, the Trustees may take such matters into account where they believe it would be prudent to do so. Where the Trustees do take into account non-financial matters, they will inform the Scheme's employer of their decision to do so, the nature of the non-financial matters taken into account and provide any other information which they feel is appropriate in respect of such a decision.

Implementation of policies

Governance

The Trustees are responsible for making investment decisions and have formed an Investment Committee to consider investment issues and make recommendations to the Trustee board. The Trustees have agreed the Investment Committee's terms of reference.

Choosing investments

The Trustees reviewed the investment strategy in 2018. This review considered the Scheme's objectives, funding level and the covenant of the Principal Employer, and after considering the merits of a range of asset classes. The Trustees also made a slight update to the strategy in 2020, with a view to investing in credit default swaps.

The strategic asset allocation for the Scheme is shown in the table below.

Asset class	Allocation	Tolerance of proportion
Diversified growth funds	10%	±2.0%
Passive equities	18%	±2.5%
Absolute return bond funds	12%	±1.5%
Long-lease property	15%	±5.0%
Credit default swaps	5%	±1.0%
Liability driven investment[1]	25%	±5.0%
Structured equity	15%	±2.0%

1. The Liability driven investment portfolio uses leverage to hedge interest rates and inflation to the levels as described in the section "Liability driven investment".

2. The Structured equity investment portfolio uses derivatives to structure a pay-off profile as described in the section "Structured equity".

Within these categorisations the Trustees have selected the following managers. All of the managers are authorised and regulated by the Financial Conduct Authority.

Manager	Fund name	Strategic allocation
Invesco Perpetual	Global Targeted Return	Diversified growth fund
UBS	UBS Life Developed World Equity Fundamentally Weighted Index Fund	Passive equity
UBS	UBS Life World Equity Optimised Volatility Index Fund	Passive equity
UBS	UBS Life World Quality Companies Index Fund	Passive Equity
M&G	Alpha Opportunities	Absolute return bond fund
M&G	Secured Property Income Fund	Long-lease property
LGIM	Synthetic Leveraged Credit Fund	Credit default swaps
R&M	Segregated portfolio	Liability driven investment
R&M	Equity Derivative Overlay Strategy	Structured equity

All decisions about the day-to-day management of the assets have been delegated to the investment managers including voting rights.

Relationship with investment managers

The Trustees have investment management agreements in place with the investment managers, which set out the contractual relationship between the parties and govern key aspects, such as how the Trustees remunerate the investment managers, how the Trustees monitor the performance of the investment managers, and the duration of the arrangements with the investment managers.

Incentivising investment managers

The Trustees will monitor the investment managers' performance against the relevant Fund benchmarks and objectives of the Scheme. Where an investment manager consistently fails to meet benchmark performance and shows lack of alignment with the Scheme's objectives, the Trustees may consider ending their relationship with the investment manager. This, along with the fees paid to the investment managers, will ensure that investment managers are incentivised to provide high quality service that meets the stated objectives, guidelines and restrictions agreed with the Trustees.

However, there may be circumstances where managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors.

Assessing medium to long-term performance of investments

The Trustees monitor how the investment managers make decisions based on the medium to long-term financial and non-financial performance of investee companies and any issuers of debt or equity. The investment managers are incentivised to make decisions based on the medium to long-term financial and non-financial performance of issuers in order to improve their performance in the medium to long-term. The Trustees monitor the performance of investment managers on a quarterly basis, where the Trustees have concerns they will raise this with the investment managers.

Monitoring performance and remuneration

The Trustees monitor the performance of their investment managers on a quarterly basis and carry out formal reviews of each investment manager on an ad hoc basis.

When assessing the performance of an investment manager, the Trustees consider:

- The investment managers' financial performance against stated benchmarks and the rest of the market, both in terms of individual performance and their wider role in helping the Scheme meet its long-term objectives.

- How well the investment managers are aligned with the Trustees' investment policies.

- The quality of service provided by the investment managers, including the quality of reporting.

Where the Trustees believe that an investment manager has performed poorly for a material period, they will carry out a formal review and look to replace the manager where necessary.

The Trustees will ensure that the remuneration of the investment managers are consistent with the Trustees' investment policies and the SIP, in that the levels typically available in the industry and the nature of services provided. This will be monitored on an ad hoc basis, and where the Trustees believe there are grounds for a reduction in fees, for example after a period of poor performance, this will be discussed with the respective manager.

Monitoring portfolio turnover and costs

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers.

The Trustees monitor the costs incurred by the investment managers in buying and selling investments. The Investment Committee consider the costs of asset transitions on an ad hoc basis and consider the cost of buying and selling when reviewing any change of investment.

The Trustees do not believe in setting a portfolio turnover target – being the frequency with which assets are expected to be bought and sold – because they believe that the investment managers have sufficient expertise to make judgement on the appropriate portfolio turnover.

The Trustees will monitor turnover costs on a periodic basis, and any shortcomings with be followed up with the respective investment manager.

Duration of arrangements with investment managers

The duration of the Trustees' arrangements with its investment managers vary depending on the investment strategy and asset allocation of the relevant portfolio. Due to the long-time horizon for the Scheme, the Trustees do not wish to enforce a maximum duration on any investment manager at present, and there is no minimum investment period for the investments.

Rebalancing investments

Rebalancing will be undertaken manually by the Trustees. In practice it will be reviewed quarterly at meetings of the Investment Committee of the Trustees. New money will be used to rebalance the portfolio towards its target benchmark.

Any rebalancing will take into account transaction costs and look to minimise these where possible.

Fees

The fee arrangements are summarised below.

Manager	Fund name	Fees (Annual Management Charge) p.a.
Invesco Perpetual	Global Targeted Return	0.55%
UBS	UBS Life Developed World Equity Fundamentally Weighted Index Fund	0.09%
UBS	UBS Life World Equity Optimised Volatility Index Fund	0.09%
UBS	UBS Life World Quality Companies Index Fund	0.09%
M&G	Alpha Opportunities	0.50%
M&G	Secured Property Income Fund	0.60%
LGIM	Synthetic Leveraged Credit Fund	0.35%
R&M	Segregated portfolio	0.08%*
R&M	Equity Derivative Overlay Strategy	0.12%

* The R&M segregated portfolio fees are calculated as a proportion of notional amount hedged and vary in tiers with this amount. Therefore this fee may change as the liabilities change or any triggers are hit.

PwC is remunerated on both a time-cost and a fixed-fee basis.

The Trustees' general policy is not to pay fees outside of the above described arrangements, but will consider any additional fees on a case by case basis.

Realisation of investments

Monthly disinvestments from are made from the Scheme's investments, in proportion to the Scheme's asset allocation, that are expected to meet the Scheme's cashflow requirements.

Should additional funds (up to £0.5m in value) be required, these will be redeemed by the Scheme's administrators approximately in line with the Scheme's asset allocation (though depending on the amount to be redeemed and the required settlement time, the funds may be redeemed in an alternative proportion as agreed by the Trustees and the administrator).

If additional funds (above £0.5m in value) are required, the Trustees will authorise the disinvestment and its sources.

Liability driven investment

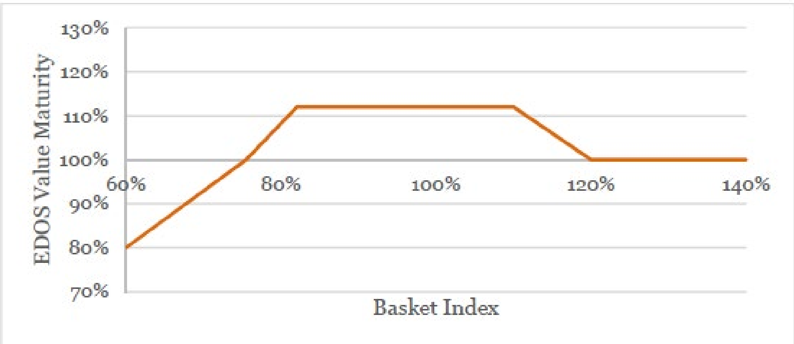
The aim of the liability driven investment allocation of the portfolio is ultimately to hedge 90% of the interest rate exposure and 90% of the inflation exposure of the liabilities, scaled to the value of the assets. These funds are invested in a combination of bespoke swaps and physical gilts.

There are a series of market-based triggers in place to increase the interest rate hedge ratio if gilt yields rise. In addition to this, there is also a set of time-based triggers in place. The Trustees in the future may amend these triggers and will be advised by their investment advisors on the appropriate level of hedging.

Structured equity

The structured equity portfolio consists of physical gilts and equity options, and returns are linked to the performance of a bespoke basket of global equity market indices (60% S&P 500, 20% Eurostoxx 50, 10% Nikkei 225, and 10% FTSE 100).

The payoff profile for the portfolio has been constructed to provide cash plus c.3% p.a. in as many market scenarios as possible (see illustrative chart below).



The structure has been put in place for a term of three years, although the Trustees may adjust the structure at any time.

Suitability

The Trustees have taken advice from their investment advisers, PwC, to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustees' objectives, regulatory guidance and specifications in the Trust Deed.

The Trustees confirm that the Statement of Investment Principles reflects the investment strategy they have implemented for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Scheme auditor upon request.

Signed ....

Date ....

For and on behalf of the Trustees of the Devro Limited (UK) Pension Plan