The Innovia British Pension Scheme
Statement of Investment Principles
February 2020

1. INTRODUCTION

1.1. The Trustee ("the Trustee") of the Innovia British Pension Scheme (the "Scheme") has prepared this Statement of Investment Principles ("**SIP**") to govern the investment decisions of the Scheme in order to meet its investment objective.

1.2. In preparing the SIP the Trustee has obtained and considered appropriate written advice from BlackRock (the "**Manager**"), and the Trustee will obtain and consider such advice before revising the SIP in the future.

1.3. In preparing the SIP the Trustee has consulted Innovia Films (Holding) Limited, Innovia Films Limited and Innovia Group (Holding 3) Ltd, the Scheme's employers, and the Trustee will consult the employers before revising the SIP in the future.

1.4. It is the Trustee's policy to review the SIP every three years and without delay after any significant change in investment policy. As a minimum, the Trustee will review the SIP every three years. The Trustee will notify the Manager of any material changes to the Scheme's circumstances. Furthermore, any material changes to the employer covenant or Scheme will trigger a strategy review, at which point the Trustee will notify the Manager.

1.5. The SIP has been prepared in accordance with Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005.

1.6. The SIP will be made available to members of the Scheme upon request.

2. SCHEME DETAILS

2.1. The Scheme operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

2.2. It is a defined benefit pension scheme which is closed to new members and future accrual and has a very small element of defined contribution benefits.

2.3. AVC arrangements are now closed to further payments, following the Scheme's closure to future accrual in April 2019. The Scheme had facilities with Standard Life and Prudential for members who wished to contribute to enhance their retirement benefits and there were also AVC funds held with Equitable Life.

Defined Benefit Assets

1. GOVERNANCE

1.1. The Trustee is responsible for setting the general investment policy and ensuring that it is consistent with the Scheme's funding objectives and its assessment of the employer covenant.

1.2. The Trustee has appointed the Manager to provide regulated investment advice in line with the Investment Advisory Agreement and to manage the Scheme's assets in line with the Investment Management Agreement between the Trustee and the Manager (the "**IMA**").

1.3. The Trustee delegates the day-to-day investment decisions and management of the fund to the Manager. In particular, the selection of particular investments is left to the Manager.

1.4. The Manager will be responsible for having regard to the need for diversification of investments so far as appropriate and to the suitability of investments, and for giving effect to the principles contained in the SIP as far as reasonably practicable.

1.5. The Manager will also be responsible for participating with the Trustee in reviews of this SIP in consultation with the Scheme's employers.

2. OBJECTIVES

2.1. The objective of the Scheme is to invest the assets prudently with the intention that the benefits promised to members are provided.

3. INVESTMENT STRATEGY

3.1. The Trustee has reflected its investment strategy and investment objective in the IMA with the Manager whereby, within certain permitted ranges, the Manager determines an appropriate asset allocation which seeks to achieve such investment objective. In doing so the Manager takes into account the restrictions contained within the IMA, which outlines the parameters the Manager must operate within. The IMA is subject to change over time as the strategy evolves.

3.2. Further details of the investment strategy are set out in the Appendix to the SIP.

3.3. The Trustee seeks to achieve the Scheme's investment objective through investing in a diversified mix of assets that balances investment return against volatility, and to balance the investments held against the current and future needs of the Scheme.

4. RISK MANAGEMENT

4.1. The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("**funding risk**"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme'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 Trustee and its advisers considered this mismatching risk when setting the investment strategy.

- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("**cash flow risk**"). The asset allocation has taken into account the Scheme's liability cashflow profile from the most recent Actuarial Valuation. This should offer sufficient liquidity to meet liquidity needs. Should liquidity requirements change then the Trustee will notify the Manager and update the IMA accordingly.

- The failure by the Manager to achieve the rate of return required to meet the investment objective ("**manager risk**"). This risk is considered by the Trustee upon the initial appointment of the Manager and on an ongoing basis thereafter (for example by regular monitoring).

- The failure to spread investment risk ("**risk of lack of diversification**"). The Scheme's assets are invested across a range of pooled fund investments representing different assets classes in order to target the Scheme's objective, as set out in the IMA.

- The possibility of failure of the Scheme's sponsoring employers ("**covenant risk**"). The Trustee considered this risk by taking external advice when setting investment strategy and consulted with the sponsoring employers as to the suitability of the proposed strategy.

- The risk that exposure to overseas currencies has an adverse influence on investment values ("**currency risk**"). The Trustee considered this risk when setting the Scheme's investment strategy and this is managed risk by hedging a proportion of the overseas currency exposure.

- The risk that environmental, social and governance factors have an adverse effect on the long-term performance of the Scheme assets ("**ESG Risks**"). The Trustee will ensure that the Fiduciary Manager explicitly incorporates ESG information into investment decisions when considering the appointment and de-selection of investment managers.

- The risk that a custodian defaults ("**custodian risk**"). Assets are managed primarily within pooled funds and custody-related risks in relation to underlying pooled fund investments are managed by management companies or operators of such pooled funds. Outside of the pooled fund investments, the Trustee has appointed a Scheme custodian (BNY Mellon) to manage cashflows and settle trades on time.

- The risk that events outside the control of the Scheme have an adverse influence on investment values ("**event risk**"). The Trustee periodically reviews stress tests on the portfolio to understand the effect that extreme events could have on the Scheme's funding level so that they are able to Scheme accordingly. In addition, the Scheme invests in a diversified portfolio of assets to help manage volatility.

- The risk that a counterparty fails to fulfil its side of the agreement it makes in connection with derivative transactions ("**counterparty risk**"). The Trustee has appointed the Manager to mitigate this risk by assessing the credit quality of the counterparties it transacts with, ensures appropriate counterparty diversification and that collateral payments are made where required.

- The risk of fraud, poor advice or acts of negligence ("**operational risk**"). The Trustee has 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.

4.2. The Trustee considers risk holistically across the Scheme's portfolio and hence the Scheme's assets are invested across a diverse range of investments. Asset classes and instruments that may be used as part of the investment strategy include, but are not limited to, the following:

- Equities – both active and passive strategies invested across different regions;

- Credit – both active and passive across the spectrum of risk including Investment Grade, High Yield, Emerging Market;

- Alternatives – these are often less liquid than other risky assets where an illiquidity premium is rewarded. These are designed to offer a diverse return stream to traditional risky assets such as equity. The Manager will seek approval from the Trustee prior to investing in this asset class;

- Liability Driven Investments – using derivatives and physical assets; and

- Derivatives – the Manager may transact forwards and futures instruments.

4.3. The Trustee, with the aid of the Manager, monitors risk on both a qualitative and quantitative basis.

4.4. Implementing portfolio investments has been delegated to the Manager under the IMA.

5. RESPONSIBLE INVESTING

5.1. The Trustee recognises that ESG risks could impact the ability of the Scheme to meet its investment objectives and therefore the Trustee has considered how to evaluate and manage these risks when setting its investment strategy as set out in the following paragraphs (along with other matters).

5.2. The Trustee will ensure that the Scheme's Fiduciary Manager shall, alongside other investment risks, integrate consideration of ESG risks throughout its investment decision making processes,

5.3. The Trustee will request that:

- the Fiduciary Manager, as part of its due diligence, assesses the approach of all the Scheme's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments, before appointing them;

- the Fiduciary Manager, as part of its ongoing monitoring, will review the adherence of the Scheme's investment managers to their ESG principles and, on at least a quarterly basis, will report on key ESG metrics for the Scheme's investment managers and aggregate these to portfolio level where appropriate;

- the Fiduciary Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Scheme invests in pooled funds, the Scheme's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights); and

- where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Fiduciary Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee.

5.4. The Trustee does not take into account non-financial matters when selecting, retaining and realising investments. Non-financial matters are defined as the views of members and beneficiaries, including (but not limited to) their ethical views, and their views relating to social and environmental impact and quality of life.

6. REALISATION OF ASSETS

6.1. Assets can be held in pooled funds across a range of liquid and illiquid strategies which can be liquidated in accordance with the dealing cycle of the pooled funds that are invested in by the Scheme. Any allocation of Scheme assets to illiquid strategies will be considered with the Scheme's overall cashflow position in mind and requires prior Trustee approval.

7. MONITORING

7.1. The Trustee monitors the performance and risk exposures of the portfolio on a regular basis. The Trustee receives periodic reports showing:

- Commentary over the period covering performance, macroeconomic factors and portfolio positioning;
- Risk decomposition across the portfolio, including scenario stress tests;
- Return attribution across the portfolio, including underlying pooled fund monitoring;
- Estimated funding ratio change, including a summary of contributors/detractors;
- Review of the funding level including any de-risking triggers;
- Asset allocation summary versus the permitted ranges; and
- Interest rate hedge ratios versus target.

7.2. Monitoring of the underlying investment managers' suitability is delegated to the Manager. The Manager has been delegated the responsibility for ensuring the underlying pooled fund investments are satisfactory and appropriate for the investment strategy.

Defined Contribution Assets

1. Introduction

In previous years, the Trustee had agreed to accept transfers into the Scheme from all types of pension arrangements (including personal pensions but excluding Free Standing AVC's), subject to a minimum level of £3,000. The basis used for transfers into the Scheme was a money purchase basis and the funds were placed in a Trustee Investment Plan (TIP) provided by Standard Life. In October 2008, following advice from the Actuary, the Trustee decided to no longer accept transfers into the Scheme. This section relates to the TIP only. No other money purchase arrangements (e.g. AVCs) are covered within this section. The Scheme is closed to new members, no further contributions are invested and there are few members remaining in the TIP.

2. Investment objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee regards it as its duty to make available a fund which:

- is likely to be suitable for most members;
- is dynamically managed; and
- has a risk and reward profile that reflects the period until its participating members reach retirement age.

3. Governance

The Trustee reviews and assess the systems, processes and controls against key governance functions to help members achieve a good outcome from their defined contribution pension savings on an annual basis. The governance standards are monitored in connection with the Scheme's investments and are consistent with those set out in the Pensions Regulator's Code of Practice 13 and regulatory guidance for defined contribution schemes.

4. Kind of investments to be held

The only fund available for members is the Standard Life Managed Fund. In October 2008, the Scheme closed to new members and no further contributions are expected. Therefore, there is no default investment fund for the DC section.

The Standard Life Managed Fund aims to provide long term growth whilst investing in a diversified portfolio of assets (including equities, bonds, property, cash deposits and money-market instruments) in order to reduce the risk associated with being solely invested in any one asset class. These assets can be from both the UK and overseas. The fund is predominantly equity based and is actively managed by Standard Life, who vary the proportions held in each asset class to exploit growth opportunities.

5. Balance between different kinds of investment

As the assets of the Trustee Investment Plan ("TIP") are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the Investment Manager, Standard Life. The Trustee is satisfied that the Investment Manager's policy on investing in individual securities held in each vehicle provides adequate diversification of investments.

6. Risk

The Trustee has considered risk from a number of perspectives. The risks considered are:

- Inflation risk: The risk that the investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate pension.
- Market risk: The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of pension or cash lump sum benefit.
- Active risk: The risk that the investment vehicle, in which monies are invested, underperforms the expectation of the Trustee. In particular, the Trustee has considered that the actively-managed fund will underperform. The Trustee believes that generally the risks of active management lead to greater returns and monitors the performance of the manager on a regular basis.

A proportionate approach has been taken in setting the investment strategy and this is monitored and reviewed on an ad-hoc basis, with the next review scheduled during 2020.

7. Fees

Standard Life applies an annual fee to the funds held in the Standard Life Managed Fund. This is taken from the Scheme assets each year.

The Annual Management Charge (AMC) (31 December 2018: 0.6% p.a.) is deducted from the underlying fund value. This amount is clearly communicated to members in the annual statement issued at the beginning of each year.

Signed for and on behalf of the Trustee of the Innovia British Pension Scheme

B. Kumar	Darren Howarth
Signature of Trustee/Director	Signature of Trustee/Director
BHAVNA KUMAR	DARREN HOWARTH
Print Name	Print Name
2/03/2020	2/3/2020.
Date	Date

For and on behalf of
Align Pensions Limited

Appendix

Defined Benefit Scheme - Investment strategy

The investment strategy for the Scheme is to:

- Invest the assets in such a way so that the Scheme achieves full funding with liabilities valued on gilts basis during 2031.
- Invest in a portfolio of assets which aims to immunise a proportion of the interest rate risk inherent within the Scheme's liabilities (the "**matching portfolio**");
- Invest in a diversified portfolio of assets to achieve an efficient risk / reward trade off with the objective of generating sufficient returns to close the Scheme's funding deficit (the "**growth portfolio**"); and
- When the funding level has achieved a predetermined level (as set out in the journey Scheme table in this appendix), the Scheme will seek to achieve a target level of interest rate hedging, subject to it being with pre-defined tolerances.

As at the date of the SIP, the Trustee has instructed the Manager under the IMA to manage the asset allocation in such a way to aim to achieve the Investment Objective taking into account the restrictions set out in the Asset Allocation Table and Growth Strategy Permitted Ranges Table below:

Asset Allocation Table

	Permitted Ranges	
Portfolio Strategy	Minimum (%)[1]	Maximum (%)[1]
Growth Strategy	**0%**	**80%**
Liquid Assets	*0%*	*80%*
Illiquid Assets	*0%*	*20%*
Matching Strategy	**20%**	**100%**

[1]As a percentage of Total Portfolio assets by market value

The **Journey Management Strategy** defines how the strategy will evolve over time to aim to achieve the investment objective. As part of this process the Manager will rely on certain assumptions to determine the expected return across the portfolio of assets relative to the Scheme's liabilities. The Trustee recognises that this is not an exact science and will constantly evolve, hence assumptions will be reviewed from time to time and updates will be factored in where appropriate.

The journey management funding ratio triggers and associated levels of hedging are set out in the table below.

Asset Class	Initial	Threshold 1	Threshold 2	Threshold 3	Threshold 4
Funding Ratio Trigger Level	70%	75%	80%	85%	88%
Minimum Interest Rate Hedge Ratio	60%	65%	72%	79%	82%
Minimum Inflation Rate Hedge Ratio	60%	65%	72%	79%	82%
Maximum Interest Rate Hedge Ratio	100%	100%	100%	100%	100%
Maximum Inflation Rate Hedge Ratio	100%	100%	100%	100%	100%

The Manager has discretion to adjust the hedge ratio above the minimum amount specified at each Threshold.

The Funding Ratio Trigger Level calculates the value of liabilities using a gilts flat discount rate which uses the Manager's pricing source.

The Manager will cease to monitor a Trigger once it has been reached and will take no further action should the Funding Level subsequently move back below the expired Trigger.