The Metal Box Pension Scheme ("the Scheme")
Defined Benefit (DB) Section

Statement of Investment Principles (SIP)
Adopted with effect from 3 December 2020

Introduction

1 This document is the Statement of Investment Principles ('SIP') made by the Trustee of the Metal Box Pension Scheme (the 'Scheme') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment strategy. Before finalising this SIP, the Trustee took written advice from the Scheme's Investment Consultant (Willis Towers Watson) and consulted the sponsoring employer (the "Company"). The ultimate power and responsibility for deciding investment strategy, however, lies solely with the Trustee.

Investment objectives

3 The investment objective of the Scheme is to generate returns according to the following profile (we also show the Technical Provisions discount rate for each year alongside this for reference purposes):

Scheme Year	Target return (pa above gilts)	Technical Provisions Discount Rate
2020/21	1.30%	1.15%
2021/22	1.10%	1.00%
2022/23	1.00%	0.90%
2023/24	1.00%	0.90%
2024/25	1.00%	0.90%
2025/26	1.00%	0.90%
2026 onwards	0.60%	0.25%

Please note that the technical provisions discount rates were last reviewed as part of the Scheme's 31 March 2019 actuarial valuation whereas the target returns have been modified following subsequent investment outperformance. The technical provisions discount rates will be reviewed again at its next formal actuarial valuation due no later than as at 31 March 2022.

The Trustee is currently running a tactical underweight to the return target, reducing the return target to gilts +1.0% pa which will be reviewed again in the first quarter of 2021.

The aim in the long term is to achieve a 100% funding level (measured on the Long-Term Funding Target: a gilts+0.25% pa liability basis) between September 2024 and March 2026.

4 In seeking to achieve this objective, the Trustee is prepared to run the investment risk level commensurate with a one in twenty chance of the funding level falling between 4-7%[1] in any one year. (Note the Trustee will keep this limit under review.) Should the return target and risk limit conflict, the Trustee will review the investment strategy and Journey Plan to determine an appropriate course of action.

5 The Trustee will review the investment objectives regularly and amend as appropriate.

Investment strategy

6 The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify its risk exposures and to manage its investments efficiently and has therefore delegated responsibility for investment decisions to its Investment Committee ("IC") subject to allowable ranges relating to the asset classes the Scheme can invest in and the level of liability hedging it can undertake.

7 The detail of the role and responsibilities of the IC is set out in the IC Terms of Reference Document. All decisions of the IC will be recorded in committee minutes and made available to the full Trustee Board.

8 The investment strategy makes use of three key types of investments:

- using a range of instruments that provide a match to changes in liability values (this includes insurance contracts that the Trustee may consider from time-to-time).
- a diversified range of return-seeking assets, including (but not limited to) equities, corporate bonds, property, insurance and commodities
- actively managed portfolios where skilful investment managers aim to outperform a specific market.

9 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's investment objective.

10 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

11 The Trustee will monitor the liability profile of the Scheme and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.

12 The expected return of an investment will be monitored regularly and will be directly related to the Scheme's investment objective.

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[1] By way of example, if the funding level of the Scheme is expected to be 90%, the Trustee is prepared for the funding level to fall by 7% to 83% in a 1 in 20 event. This would be at the limit of the Trustee's 4-7% stated risk tolerance.

13 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible.

The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.

Investment managers

14 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently. The responsibility for decisions on the appointment of investment manager(s) has been delegated to the IC as set out in the IC Terms of Reference document.

15 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long term investment objectives, and an acceptable level of investment risk. As part of this process, the Trustee has delegated the detailed monitoring of the Scheme's investment managers to its Investment Consultant.

16 The Trustee seeks to be an active long-term shareholder via its selection and oversight of its investment managers, encouraging the companies in which the Scheme invests to adopt sustainable business practices and high standards of corporate governance with the aim of protecting and enhancing long-term shareholder value. The Trustee's focus is explicitly on financially materially considerations. The Trustee's policy at this time is not to take into account non-financially material or ethical considerations.

17 The Trustee appoints investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the Trustee focusses on longer-term outcomes. Consistent with this view, the Trustee does not expect to terminate a manager's appointment based purely on short term performance but recognises that a manager may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team.

18 The Trustee expects the Investment Consultant to work with managers to use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that investments may be made to certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

19 The Trustee's policy is that the extent to which social, environmental or ethical considerations are taken into account in these decisions is left to the discretion of its investment managers. However, the Trustee recognises that an investment's long-term

financial success is influenced by a range of factors including Environmental, Social and Governance (ESG) issues and expects that the extent to which ESG issues may have a fundamental impact on the portfolio will be taken into account by the investment managers in the exercise of their delegated duties.

20 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the investment managers to exercise those rights. The investment managers are expected to exercise these rights in the best interests of the Trustee. Where the Trustee invests in pooled funds the voting decisions are taken by the investment managers of those funds.

21 In addition to the above, the Scheme's Investment Consultant has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the manager recommendation process and is monitored on an ongoing basis

22 The Trustee expects the Investment Consultant to assess the alignment of each investment managers' approach to sustainable investment (including engagement) with its own before making recommendations to the Investment Committee. The Trustee expects the Investment Consultant to engage with the Scheme's appointed investment managers where the Investment Consultant considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings.

23 Whilst noting there may be limitations for each investment manager and asset strategy, the Investment Consultant expects investment managers to have ESG processes that align with the investment risk and return characteristics of the strategy. Where an investment manager's processes are deemed insufficient by the Investment Consultant and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed.

24 The Investment Consultant considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Investment Consultant takes into account in the assessment.

25 The Investment Consultant encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Investment Consultant itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

26 The Trustee expects the Investment Consultant to consider the fee structures of asset investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial appointment of an investment manager and on an ongoing basis. Investment managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Investment Consultant to review and report on the costs incurred in managing the

Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee expects the Investment Consultant to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Other matters

27 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

Risks

28 The Trustee recognises that there are risks involved in the investment of the assets of the Scheme which it monitors on a regular basis and seeks to mitigate.

29 One of the risks is that the level of investment framework is too rigid and does not allow change to reflect changing circumstances. The Trustee has therefore adopted a Funding Level Trigger Framework with triggers to allow appropriate and timely responses from the Trustee in certain conditions.

30 Further detail on the framework, including the process of implementing changes is set out in the Funding Level Trigger Framework (FLTF) document.

31 Comments on some of the other risks are set out below:

Deficit risk:

- is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
- is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set.
- is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Scheme's assets to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

Liquidity risk:

- is measured by the level of cashflow required by the Scheme over a specified period.
- is managed by the Scheme's administrators and Investment Consultant assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

Currency risk:

– is measured by the level of exposure to non-Sterling denominated assets (or liabilities).

– is managed by the implementation of a currency hedging programme (through a combination of a segregated currency hedging overlay and currency hedging carried out by some of the Scheme's investment managers) which reduces the impact of exchange rate movements on the Scheme's funding level.

Custodian risk:

– is measured by assessing the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

– is measured by assessing the ability of the custodian's record keeping capabilities to identify and reconcile client accounts accurately and securely.

– is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate. In addition, restrictions are applied as to who can authorise transfers of cash and the opening of accounts to which transfers can be made.

– is managed by having in place a Service Level Agreement which sets out standards and agreed-upon service guidelines and responsibilities.

Interest rate and inflation risk:

– is measured by comparing the sensitivities in the Scheme's liabilities and assets due to movements in inflation and interest rates.

– is managed by holding a portfolio of matching assets (physical bonds and/or derivatives or other financial instruments or contracts) that enable the Scheme's assets to track movements in the value of the liabilities due to inflation and interest rates.

Political risk:

– is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

– is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.

Company risk (Covenant):

– is measured by receiving regular financial updates from the Company and periodic independent covenant assessments.

– is managed through an agreed contribution and funding schedule.

– The Trustee recognises that Company risk cannot be directly managed, but can be mitigated to some extent. [1]

[1] As evidenced by the guarantee provided by Luxco and Swissco

Cyber Risk

- is measured by assessing the cyber security protocols of employed third party providers managing the Scheme’s assets and specific data relating the Scheme.

- is managed through reasonable due diligence on investment managers’ and the custodian’s procedures and protocols relating to cyber risk management.

Derivatives risk

- Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation.

- Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly. This risk is addressed through the investment policy adopted by the Trustees for the backing assets and the investment managers’ asset management capabilities.

- Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

- Legal and operation risk – the successful operation of derivatives depends on the various legal documents governing the derivative contracts and the correct completion of some operational tasks. The Trustees take appropriate advice when putting in place legal documents, reviewing legal documents already in place and appointing and monitoring providers capable of carrying out the required operational tasks.

- The Trustees are also aware of the risks relating to the initial terms of entry in derivative contracts (for example, purchasing the contracts at a competitive price) and the valuation of the derivatives on an ongoing basis. With the help of their advisors, the Trustees monitor these positions on a regular basis.