

Innospec Limited Pension Plan
Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustees of the Innospec Limited Pension Plan (the “Plan”). It sets out the principles governing the Trustees’ decisions to invest the assets of the Plan.

The Plan’s investment objectives and strategy were derived following detailed strategy discussions and on taking advice from the Trustee’s investment advisors, with consideration of the risks set out in the Appendix.

The Trustees have taken the Myners’ Principles into consideration when making decisions about the Plan’s investment arrangements.

Further details on the Plan’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Investment objectives

The Trustees invest the assets of the Plan with the aim of ensuring that all members’ accrued benefits can be paid. The Plan’s funding target is specified in the Statement of Funding Principles and the Plan’s funding position will be reviewed on an ongoing basis to assess the position relative to this funding target and whether the investment policy remains appropriate to the Plan’s circumstances.

In Q1 2022 the Trustees agreed to purchase a buy-in insurance policy which covers the Plan’s remaining liabilities. This transaction took place in Q2 2022. There is a residual outstanding liability that will be paid across to the Insurer in Q2 2023 as part of the final true-up premium at the end of the data cleanse.

A small amount of residual assets is therefore being held alongside the insurance policies and invested in suitable assets to track this remaining liability. The Trustees decided to retain their incumbent investment manager for this purpose given the relatively short holding period until the remaining liabilities are transferred over to the Insurer.

Investment strategy

The Plan’s investment strategy was derived from careful consideration of the nature and duration of the Plan’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Plan, and also the strength of the Sponsor’s covenant. The Trustees considered the merits of a range of asset classes, including various “alternative assets”.

The benefits of a buy in policy have been deemed appropriate, having taken the Trustees’ objectives into account.

Investment management arrangements

The Trustees have appointed an insurer and an investment manager to manage the assets of the Plan. The insurer and investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the insurer via a written agreement. The delegation includes decisions about:

- Realisation of investments;
- Social, environmental, ethical considerations in selection, retention and realisation of investments; and
- The exercise of rights (including voting rights) attaching to the investments.

The Trustees take the insurer's policies with respect to the above into account when selecting and monitoring insurers. The insurer is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

Investment Manager Monitoring and Engagement

As the remaining assets are due to fund the future wind up costs of the Plan, the Trustee periodically monitors that the Plan has sufficient assets. If this is not the case, the Trustee may need to intervene.

The Trustee acknowledges the importance of Environmental, Social and Governance factors (ESG). As the majority of the assets are invested in the buy-in policy, there is limited scope for the Trustee to incorporate ESG into the Plan's investment strategy.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Plans (Investment) Regulations 2005, except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case the total exposure to employer-related investments will not exceed 5% of the Plan's total value.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Governance

The Trustees of the Plan make all major strategic decisions including, but not limited to, the Plan's asset allocation and the appointment and termination of investment managers. When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience.

The Investment Adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Plans (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the Sponsor and took appropriate written advice. The Statement is reviewed at least every three years, and without undue delay after any significant change in the investment arrangements.

September 2022

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There's more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected payoff profile of the Plan's investments around our required objectives.

Excess liquidity of the Plan: We utilise excess liquidity in order to access any illiquidity premium (when illiquidity is rewarded), taking into consideration known cash flow requirements and the need for flexibility.

True diversification: We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objective.

4 A long term mind-set can be used to enhance returns

As a long term investor we pursue incremental growth that rewards adherence to our strategic plan, rather pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Plan.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsibly investing.

We recognise that positive ESG factors can have a positive influence on the long term stability and returns of investments. However, mandates are selected with the purpose of maximising the chance of achieving the return objectives as set out in their mandates, which in combination aim to optimise the chance of achieving the Plan's overall strategic objective.

The extent to which ESG and ethical considerations are taken into account in these decisions is delegated to the investment managers, acting within the guidelines and objectives set by the Trustees where practically possible.

Appendix B – Risks

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsoring company's covenant strength.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	<ul style="list-style-type: none"> When developing the Plan's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.

The Plan is exposed to a number of underlying risks relating to the Plan's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Plan's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.100% of these risks
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the

		yield available sufficiently compensates the Plan for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who account for ESG factors as part of their investment process. The Trustees monitor the managers in this regard on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
Longevity	Members of the Plan living longer than expected, leading to a larger than expected liability.	To hedge the majority of this risk through the purchase of the buy-in policy.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C – Policies in relation to the investment management arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Plan:

<p>How the Plan’s investment managers are incentivised to align their investment strategy and decisions with the Trustees’ policies.</p>	<ul style="list-style-type: none"> • Where the Trustees have segregated holdings, these are on an instructed basis therefore the manager has limited scope to invest outside of these instructions. • Where the Plan is invested in pooled funds, there is not scope for these funds to be specifically tailored to the Trustees’ policies. • However, the purchase of the buy-in policies and any pooled fund holdings are aligned to the strategic objective.
<p>How the Plan’s investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustees review the investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers’ engagement and voting activity on an annual basis as part of the implementation statement for the Trustee Report & Accounts. By doing this, it indirectly incentivises the investment managers to make decisions based on non-financial information. • When the Trustees receive updates from the investment managers, they request an update on how ESG factors are being incorporated into the investment process and ultimately security selection.
<p>How the method (and time horizon) of the evaluation of the Plan’s investment managers’ performance and the remuneration for their services are in line with the Trustees’ policies.</p>	<ul style="list-style-type: none"> • The Trustees review the performance of all of the Plan’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Plan’s arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The purchase of a buy-in policy is a permanent investment, but this was deemed to be appropriate for the Plan given the additional security it provides for members’ benefits.

Appendix D

AVC arrangements

The AVC arrangement was previously available to all members but is now closed to future contributions. Therefore the principles set out in this section only relate to accrued funds within the Plan.

Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The following encapsulates the Trustees' objectives:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own personal and financial circumstances.
- Offer funds which facilitate diversification and long term capital growth (i.e. in excess of price and wage inflation) so that the value of members' assets can be maximised.
- Offer funds that enable members to choose to reduce risk in their investments as they approach retirement. Specifically, make available investments that provide protection for members' accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.
- To restrict the number of funds to avoid unnecessarily complicating members' investment decisions.

The Trustees are responsible for deciding the range of funds to offer, but has no influence on how the investment managers choose the underlying investments within the funds as the assets are pooled with many other investors to obtain economies of scale. The Trustees may take investment advice from time to time as deemed necessary regarding the suitability of the relevant investment options.

The Trustees regularly obtain professional advice and through the Investment Sub-Committee monitors and reviews the suitability of the funds provided. The Trustees receive recommendations from the Investment Committee and from time to time may change the managers or investment options.

Risk

The Trustees have considered risk from a number of perspectives. These are:

- **Market risk.** The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested.
- **Risk of erosion by inflation.** If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.
- **Annuity pricing risk.** This refers to the risk of a downturn in markets in the period leading up to retirement resulting in a reduction in the amount of pension that can be

purchased (this risk is only relevant to those members who choose to purchase annuities with any part of their DC funds on retirement).

- **Liquidity risk.** Members must be able to access their DC funds as and when their retirement benefits become due.
- **ESG risk.** ESG factor decisions are delegated to the investment managers. Noting that previously there has been limited scope to account for these factors within passive/index-tracking funds.

The Trustees have considered these risks when setting the Investment Strategy and ultimately when choosing the funds to make available to members as detailed in the following section.

Investment strategy

Range of Funds

The Trustees believe, having taken advice, that it is appropriate to offer a range of investment funds to allow members to tailor their own investment strategy. Where possible the Trustees would prefer to offer passive funds in order to minimise costs and charges to members.

- The Trustees have decided to adopt a range of pooled funds defined by their risk/return characteristics to facilitate members choosing fund options which are broadly appropriate to their needs.

The Trustees have decided to offer the following funds to members:

AVC funds:

- Global Equity Fixed Weights 60:40 Index
- Managed (mixed investments including c.40-85% equities)
- Cash
- Over 15 Years Gilts Index

Day-to-day management of the assets for these arrangements is at the discretion of the managers of the pooled funds.

Members should not make investment decisions on the basis of this document.

Ongoing Review

The Trustees and Investment Sub Committee will review the appropriateness of the investment strategy periodically.