# 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 Trustees’ investment advisors, with consideration of the risks set out in Appendix A.

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

### Investment objectives

The Trustees’ funding objective was to reach and maintain a fully funded position on an insurance buy-out basis with the aim of achieving a transaction with an insurer.

In Q2 2022, the Trustees put this in place and agreed to restructure the strategy using the majority of the Plan’s funds to purchase an insurance buy-in policy which covers all the Plan’s remaining liabilities. This activity protects and insures Plan members’ accrued pensions. Once completed, all remaining risk associated with the Plan was transferred across to the chosen insurance company.

As such the Plan’s present investment objective is the responsibility of the insurance companies as they are now responsible for meeting the Plan’s liabilities.

### Investment strategy

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

Following the insurance buy-in transactions, all day-to-day investment decisions have been delegated to the chosen insurance companies. The Trustees understand that the Plan’s current investment strategy takes due account of the maturity profile and nature of the liabilities of the Plan.

Any residual assets are held in the Trustee bank account.

Further information on the risks, financially material considerations and non-financial matters that have been considered when deciding on the Plan’s investment strategy are set out in Appendix A.

### Investment management arrangements

The Trustees have appointed Just Retirement and Legal and General Assurance Society (the Insurers”) as the Plan’s insurers. The Insurers are regulated under the Financial Services and Markets Act 2000.

The Insurers manage the Plan's assets on behalf of the Trustees, whereby the objective is to match the cost of providing the benefits covered by the policy. As such, the Trustees have no authority over the choice of investments made on the Plan's behalf by the Insurers. The Trustees consider this to be suitable in the circumstances of the Plan.

A summary of the policies the Trustees have in place in relation to the investment management arrangements for the Plan are summarised in Appendix B.

**Environmental, Social and Governance considerations**

The Trustees acknowledge the importance of environmental, social and governance ("ESG") considerations. However, following the buy-in insurance transactions, the management of the Plan's assets has been delegated by the Trustees to the Insurers. As such, the Trustees have no authority over the underlying investments made on the Plan's behalf by the Insurers.

**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.

***November 2024***

**Appendix A – 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. | • 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. | • Funding risk is considered as part of the investment strategy review and the actuarial valuation.<br>• 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. | • 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 |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets. |

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|---|---|---|
| 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 satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:<br>1. Responsible Investment ('RI') Policy / Framework<br>2. Implemented via Investment Process<br>3. A track record of using engagement and any voting rights to manage ESG factors<br>4. ESG specific reporting<br>5. UN PRI signatory |
| 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 this risk through the purchase of buy-in policies. |
| 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 B – Policies in relation to the investment management arrangements

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

| | |
|---|---|
| How the Plan's investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies. | • The purchase of the buy-in policies is aligned to the overarching strategic objective of the Plan to meet liabilities as and when they fall due. |
| 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. | • The Trustees review the investment arrangements relative to medium and long-term objectives as documented in the contractual agreements. |
| 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. | • The Trustees review the performance of the Plan's providers on a net of cost basis to ensure a true measurement of performance versus investment objectives. |
| The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range. | • The purchase of the buy-in policies means expected turnover is now low and not a point the Trustees will monitor on an ongoing basis. |
| The duration of the Plan's arrangements with the investment managers | • The purchase of the buy-in policies is a permanent investment, but this was deemed to be appropriate for the Plan given the additional security it provides for members' benefits. |
| Voting Policy - How the Trustees expect investment managers to vote on their behalf | • The Trustees have delegated the exercise of voting rights to the Insurers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. |
| Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters' | • The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Plan's Insurers on their behalf. |

## Appendix C

## 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 reviews the suitability of the funds provided.

## 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 will review the appropriateness of the investment strategy periodically.