

# Tensor International Ltd Retirement Benefits Plan

## Statement of Investment Principles

**Barnett Waddingham LLP**

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## 1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Tensar International Ltd Retirement Benefits Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004;
  - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustee consulted Tensar International Limited ("the Employer"), and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustee is set out in the Trust Deed & Rules, dated 22 November 2019. This statement is consistent with those powers.

## 2. Choosing investments

- 2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers. The Trustee considers Barnett Waddingham LLP to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in **Appendix 1**. The investment managers are authorised and regulated by the Financial Conduct Authority, Prudential Regulation Authority, Central Bank of Ireland, and the Commission de Surveillance du Secteur Financier. They are responsible for security selection and the exercise of any rights associated with the investments, e.g. voting rights.
- 2.3. The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the Employer before amending the investment strategy.

## 3. Investment objectives

- 3.1. The Trustee has discussed key investment objectives in light of:
- the Plan's projected liability profile;

- an understanding of the relationship that exists between the value of investments and the actuarial value placed on the liabilities; and,
- the constraints the Trustee faces in achieving these objectives.

3.2. As a result, the Trustee's main investment objectives are:

- To ensure that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due.
- To achieve a long-term return on the Plan's assets that is no less than the assumptions made by the Scheme Actuary in determining the funding requirements of the Plan.
- To ensure that sufficient liquid assets are available to meet the Plan's liabilities as they fall due.
- Where the Trustee believes they are able to do so, to consider the Employer's investment objectives for the Plan.

3.3. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

## 4. Kinds of investments to be held

- 4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.
- 4.3. The Trustee monitors from time-to-time 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 5% of the portfolio. Typically, this check is carried out annually by the Plan's auditors.

## 5. The balance between different kinds of investments

- 5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1.
- 5.2. The Trustee considers the merits of different styles of management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1.
- 5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

## 6. Risks

6.1. The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

<b>Risk versus the liabilities</b>	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
<b>Covenant risk</b>	The creditworthiness of the Employer and the size of the pension liability relative to the Principal 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.
<b>Solvency and mismatching</b>	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is 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 Plan's funding basis.
<b>Asset allocation risk</b>	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.
<b>Investment manager risk</b>	The Trustee monitors the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
<b>Governance risk</b>	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
<b>ESG/Climate risk</b>	The Trustee has considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
<b>Concentration risk</b>	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. The Trustee considers the overall diversification of the Scheme's strategy when setting the investment strategy.
<b>Liquidity risk</b>	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

### Currency risk

The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging may be employed to manage the impact of exchange rate fluctuations.

### Loss of investment

The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

## 7. Expected return on investments

- 7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide alone and in combination. The Trustee is 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 investment managers.
- 7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Based on the target asset allocation set out in Appendix 1, the Trustee expects the assets to produce a return consistent with that required under the current funding plan, of 1.25% p.a. in excess of the return on a portfolio of gilt assets.

## 8. Realisation of investments

- 8.1. The Trustee makes disinvestments from the investment managers with the assistance of their advisers and administrators, as necessary, to meet the Plan's cashflow requirements.
- 8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

## 9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

- 9.1. The Trustee has set policies in relation to these matters. These policies are set out in Appendix 2.

## 10. Policy on arrangements with asset managers

### Incentivising alignment with the Trustee's investment policies

- 10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks through the quarterly monitoring and annual implementation statement.
- 10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related financial and investment performance risks, using the approach expected of them, their appointment will be terminated.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

### Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts.

### Method and time horizon for assessing performance

- 10.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

- 10.10. The Plan invests exclusively in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.11. The Trustee believes that this fee structure enables the investment managers to focus on long term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the managers are selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

### Portfolio turnover costs

- 10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

### Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

## 11. Monitoring

- 11.1. The Trustee employs its investment consultant to assist it in monitoring the performance of the Scheme's investment strategy and investment managers.
- 11.2. The Trustee receives reports from its investment adviser every three months and meets with its representatives periodically to review the investment performance and processes.
- 11.3. The Trustee and its adviser will monitor the investment managers' performance against their performance objectives.
- 11.4. The appropriateness of the investment managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.
- 11.5. The Trustee expects the investment managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change



according to market conditions. As the Trustee exclusively uses pooled funds, the Trustee does not set a specific portfolio turnover target for the strategy or the underlying funds.

- 11.6. The Trustee will consider on a regular basis whether or not the investment managers and similar providers, e.g. AVC providers, remain appropriate to continue to manage the Plan's investments.

## 12. Agreement

- 12.1. This statement was agreed by the Trustee and replaces any previous statements.
- 12.2. Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the Scheme Actuary and the Plan auditor upon request.

# Appendix 1: Note on investment policy of the Plan in relation to the current Statement of Investment Principles

## 1. The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Asset Class	Allocation (%)
<b>Growth</b>	Multi-Asset Credit	20%
	Asset Backed Securities	25%
<b>Protection</b>	Investment Grade Credit	15%
	LDI and gilts	40%
<b>Total</b>		<b>100%</b>

### Rebalancing

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements, and that they have the responsibility for maintaining the overall balance of the asset allocation relative to the target asset allocation. The Trustee monitors the asset allocation on a regular basis with the assistance of their advisers, and will seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short term cashflow requirements.

## 2. Hedge ratios

The target hedge ratios against interest rate risk and inflation risk, set relative to the value of the total liabilities, based on the 2024 Technical Provisions basis, are as follows:

	Target hedging ratio
Interest rate risk*	100%
Inflation risk*	100%

*\*No hedge should be expected to provide a perfect match between assets and a specific liability measure, with a range of factors and risks expected to lead to deviation in the hedge from target over time.*

The Trustee reviews the level of hedging achieved by the LDI portfolio as part of regular monitoring of the investment strategy and will consider any opportunities to align the level of hedging with the long-term target in force at any time.

The Trustee has agreed a collateral management framework with LGIM. The collateral framework gives LGIM authority to undertake collateral management related trades if and when required. The Insight Asset Backed Securities ("ABS") fund is designated as the source of collateral under the framework. The Trustee aims to retain collateral cover sufficient to meet a 3% rate rise, in accordance with tPR's guidance, and will review the level of collateral as part of the regular monitoring of the investment strategy.

### 3. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Plan:

- Legal & General Investment management ('LGIM');
- Insight Investment Management ('Insight');
- TwentyFour Asset Management ('TwentyFour');

The Trustee also has an AVC contract with Utmost for the receipt of members' Additional Voluntary Contributions (AVCs).

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority or other equivalent regulatory authorities.

The investment benchmarks and objectives for each investment manager are given below:

Fund	Benchmark	Objective
TwentyFour Strategic Income Fund	No benchmark	SONIA + 3-5% is used as a monitoring statistic.
Insight High Grade ABS Fund	1 month SONIA	No performance objective
LGIM Maturing Buy & Maintain Credit 2025-29 Fund	No benchmark	To capture the credit risk premium within a diversified portfolio of predominantly investment grade credit and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality.
LGIM LDI and Gilts	Gilt and/or Index-Linked Gilt indices	To track the respective benchmarks (gross of fees)

The performance of the investment managers will be monitored as frequently as the Trustee considers it appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

## 4. Use of investment platform

The funds used are all accessed through the Legal and General Investment Management Investment-only Platform ('IoP').

## Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

### 1. Financially Material Considerations

The Trustee recognises that Environmental, Social and Governance ('ESG') issues (including but not limited to climate change) can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Plan invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the investment managers. The Trustee has an expectation that the investment managers will consider ESG issues in selecting securities and other investments, or will otherwise engage with the issuers of the Plan's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

In choosing investment managers, the Trustee and their advisers take the following factors into account in the selection, retention and realisation of investments:

**Selection of investments:** assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

**Retention of investments:** developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

**Realisation of investments:** the Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation and consider them as part of ongoing reviews of the Plan's investments.

The Trustee does not currently impose any specific restrictions on the investment managers with regard to ESG issues but will review this position from time to time. The Trustee receives information from the investment managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within their general approach to ESG issues. The Trustee will continue to monitor market developments in this area in conjunction with their investment adviser.

### 2. Non-financially material considerations

The Trustee does not take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Plan (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

### 3. The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

### 4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should the Trustee's investment advisers raise any concerns about the performance of an investment manager in these respects, the Trustee will, in conjunction with their advisers, seek to engage with the investment manager to improve the position.

### 5. Incentivisation arrangements with investment managers

The investment managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund. The Trustee does not directly incentivise the investment managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the investment managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

The Trustee does not directly incentivise the investment managers to make decisions about the medium to long-term performance of an issuer of debt or equity, nor do they engage with those issuers to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate by the investment managers and where necessary to meet the investment objectives of the funds used by the Plan.

## 6. Conflict of interest

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.