

Statement of Investment Principles

Defined Contribution Section of the Avon Rubber Retirement and Death Benefits Plan

Introduction

The Avon Rubber Retirement and Death Benefits Plan ('the Plan') is a hybrid pension scheme consisting of defined benefit (DB) and defined contribution (DC) sections established under the same trust deed. The current document governing the Plan is the rules dated 30 September 2009. This statement is prepared by Avon Rubber Pension Trust Limited as the sole trustee of the Plan ('the Trustee') but relates solely to the DC section; a separate statement is in place for the DB section. The DC section is a "qualifying scheme" for the purposes of automatic enrolment and the Pensions Act 2008.

The DC section contains funds that are earmarked for each member of the Plan which are held under a group insurance policy issued by Standard Life Assurance Limited ('Standard Life') to the Trustee.

The requirement to prepare a Statement of Investment Principles (SIP)

This Statement of Investment Principles sets out the principles governing decisions about the investment of the Plan's DC assets.

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005), the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019.

In accordance with The Occupational Pension Schemes (Investment) Regulations 2005 the SIP is reviewed:

- At least every three years; and
- Without any delay after any significant change in investment policy or the demographic profile of relevant members.

The Trustee's investment responsibilities are governed by the Plan's trust deed and this Statement takes full regard of its provisions. A copy of the Plan's trust deed is available for inspection upon request.

Strategy

The Trustee's primary objectives for the Defined Contribution Section are:

- To provide members with a range of investment options to meet their individual risk/return requirements and to monitor and review the range on a regular basis;
- To ensure that the fund range recognises that members' investment needs change as they progress towards retirement age with younger members generally seeking real growth and older members' greater security;
- To ensure that the individual fund options are managed to achieve a return commensurate with an acceptable level of risk given the stated aims of each fund.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. Members are responsible for selecting the fund or combination of funds in which they wish to invest their pension accounts from the available range.

The Trustee uses a fund platform provided by Standard Life to implement the Plan's objective. The platform provides access to a range of pooled funds and strategies through a single administration interface. The available funds and strategies are set out in the Appendix.

Default Arrangement

The Trustee is required to designate a default arrangement for members who join the Plan and do not choose an investment option for how their contributions are invested. The Trustee's objectives for the default arrangement are as follows:

- Aim for significant long term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate with how members may take their benefits when they retire.

The Trustee has designated the **Standard Life Sustainable Multi Asset Universal Strategic Lifestyle Profile** as the default arrangement for the Plan.

There are three main stages in this investment strategy:

- More than 15 years to retirement (the 'growth phase'), assets are entirely invested in the Standard Life Sustainable Multi Asset Growth Pension Fund which is expected to produce real growth;
- Between 15 and 10 years to retirement, assets are gradually moved into the Standard Life Sustainable Multi Asset Pre Retirement Pension Fund, which is expected to have lower volatility than the earlier growth phase;
- During the last 10 years before retirement, all the assets are gradually moved into the Standard Life Sustainable Multi Asset At Retirement Pension Fund, which is expected to have lower volatility than the earlier funds and is designed to give flexibility at retirement.

Further details of the objectives of the fund managers in respect of the underlying funds used within the strategy are set out in the Appendix which also further details the kinds of investments held and the balance between them.

Other investment policies relating to the default arrangement are set out in the sections below.

Taken together, the objectives and policies the Trustee have adopted in respect of the default arrangement, and following analysis of the membership, are expected to meet the needs of members, by providing the following:

- The opportunity to increase the value of their benefits with investment growth.
- An investment which manages volatility in an appropriate and considered way.
- A portfolio commensurate with how members may take their benefits when they retire.

Trustee's Policy in relation to illiquid investments held in the default investment strategy

The Trustee may hold illiquid investments on behalf of DC members in the default investment strategy.

Any illiquid holdings will be made up of underlying holdings within the wider Standard Life Sustainable Multi Asset Universal Strategic Lifestyle Profile into which members are invested. Allocations to illiquid assets may be held at any point in the Standard Life Sustainable Multi Asset Universal Strategic Lifestyle Profile, and therefore for members of any age profile, either to enhance return potential or provide diversification benefits relative to the liquid holdings within the strategy.

Any and all decisions relating to the holding of illiquid investments (including asset class decisions) are at the discretion of the Manager. The Trustee has not restricted the Manager from including any types of illiquid asset within the default investment strategy. These allocations may increase or decrease over time.

Whilst the Trustee recognises that illiquid investments may be associated with higher costs, and liquidity risks, it nevertheless believes that the benefits of diversification and potential for higher returns of certain illiquid investments may benefit members in the long term.

The Trustee also believes the Manager is best placed to use its expertise to determine the appropriateness of holding illiquid investments in the Standard Life Sustainable Multi Asset Universal Strategic Lifestyle Profile at any particular time, and to use the liquid portions of the strategy to ensure members have sufficient access to liquidity. The Trustee will monitor developments by the Manager in this area periodically.

Risk Measurement and Management

The Trustee has considered risk from a number of perspectives.

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- **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 retirement benefit.
- **Volatility risk.** The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.
- **Capital risk.** The risk of a significant fall in the value of members' invested capital as they approach retirement.
- **Conversion risk.** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- **Default option risk.** The risk of the default option being unsuitable for the requirements of some members. The Trustee has provided additional Lifestyle and individual fund options in addition to the default and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.

- **Investment Manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustee also provides passive options that avoid active management risk.
- **Diversification Risk.** The Trustee has chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Plan.
- **Liquidity.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustee has invested in unitised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** The Trustee has not invested in funds that are geared or make speculative use of derivatives.
- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Plan is exposed to arises from both holdings in the underlying funds, and through the investment in the Standard Life platform.
- **Market Risk.** The Plan is subject to currency, interest rate and other price risk associated with the underlying investments on the Standard Life platform. These risks can impact the valuations of the funds. The Trustee has selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies.

Due to the complex and interrelated nature of these risks, the Trustee generally considers these risks in a qualitative rather than quantitative manner as part of an ongoing review process.

Implementation

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk, and also that different members may wish to target different forms of benefit at retirement.

The Trustee believes that members should be able to make their own investment decisions based on their individual circumstances. The Trustee regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs, if they so wish.

The range of funds, and default strategies, was chosen by the Trustee after taking advice from the Trustee's investment advisers. In choosing the Plan's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.
- The current and expected future membership of the Plan.

Governance

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

| | |
|---|---|
| <p>Trustee</p> <ul style="list-style-type: none"> • Monitors actual returns versus the Plan's investment objective. • Sets structures and processes for carrying out its role. • Selects investment advisers and fund managers. • Decides on appropriate structure for implementing investment strategy. • Monitors investment advisers and fund managers. • Makes ongoing decisions relevant to the operational principles of the Plan's investment strategy. • Reviews the DC fund range and lifestyle options. | |
| <p>Investment Advisers</p> <ul style="list-style-type: none"> • Advise on all aspects of the investment of the Plan's assets, including implementation as required. • Advise on this statement. • Provide any required training. | <p>Platform Provider</p> <ul style="list-style-type: none"> • Operates within the terms of this statement and their written contracts. • Manages the allocation of certain of the funds (including the default) between underlying fund managers, in accordance with agreed benchmarks and rebalancing |

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee endorses the UK Stewardship Code (the 'Code') that was published in July 2010 by the Financial Reporting Council. The Code employs the same principles as set out in the Institutional Shareholder Committee's Statement of Principles.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

Environmental, Social and Governance Considerations

The Trustee views any considerations that can affect long term, risk adjusted returns as being financially material. Financially material considerations include environmental, social and governance factors, including climate change, which can negatively impact the value of investments held if not understood and evaluated properly.

The Trustee considers these risks by taking advice from their investment adviser when setting the Plan's investment strategy, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Plan's fund managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets.
- Exercise the Trustee's voting rights in relation to the Plan's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If a manager is found to be falling short of the standards that the Trustee expects, the Trustee undertakes to engage with the manager and seek a more sustainable position.

The Trustee endeavours to review the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of that manager and ensure the manager uses its influence as a major institutional investor to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with engaging with underlying investee companies and assets to promote good corporate governance and accountability.

Policies on Costs and Transparency

It is the Trustee's view that long term performance, net of fees, is an important metric on which to evaluate its asset managers. Asset managers are remunerated by the deduction of set percentages of assets under management, which is in line with market practice. This avoids a short-term approach to investment performance that may be the result of any performance-related fees. The Trustee believes it is important to understand all the different costs and charges, which are paid by members. These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER')
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund. The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The Trustee collects information on these member-borne costs and charges on an annual basis, where available, and sets these out in the Fund's Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise.

Trustee's policies on arrangements with asset managers

The Trustee monitors those investments used by the Plan to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies as set out in the Statement of Investment Principles, including those on non-financial matters.

The Trustee also monitors those investments available through the Plan, but not included in the default strategy. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

Before appointment of a new investment, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to express its expectations to the asset managers to try to achieve greater alignment.

The Trustee believes that setting clear expectations to the asset managers and regular monitoring of asset managers' performance and investment strategy is, in most cases, sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

Members' Views and Non-Financial Factors

The Trustee recognises the importance of offering a suitable range of investment options for members and, where applicable, will consider member feedback on updating the default strategy and self-select fund range.

The funds that make up the default strategy and other investment options do not apply purely ethical or moral judgements as the basis for investment decisions.

Realisation of Investments

The Plan's assets are invested in daily priced pooled investment funds, and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments as soon as it becomes appropriate to do so.

Review

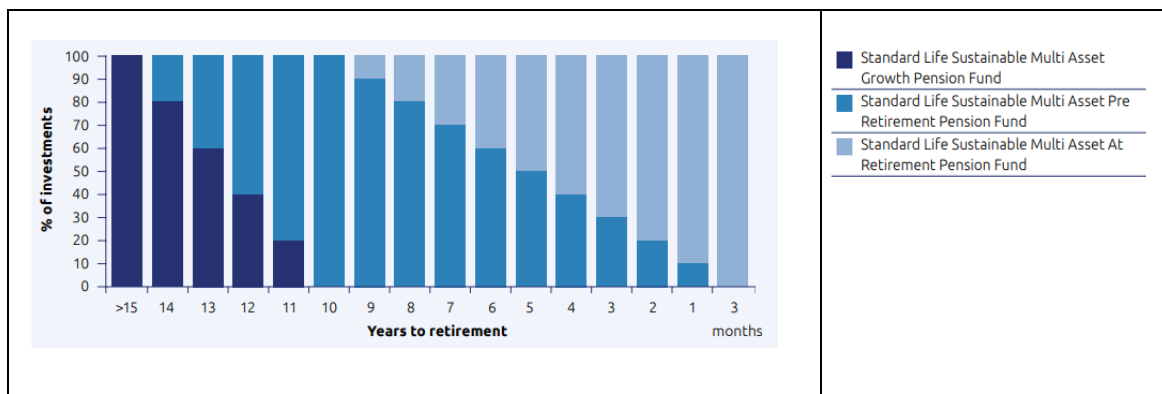
The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy or the demographic profile of relevant members. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Dated: 23 September 2024

APPENDIX

Default Lifestyle Strategy

The Trustee has designated the Standard Life Sustainable Multi Asset Universal Strategic Lifestyle Profile as the default for the Plan. Details of this strategy are set out below:



The strategy invests in three funds over time:

Standard Life Sustainable Multi Asset Growth Pension Fund – this aims to provide long term growth while being managed to a level of risk. The fund aims to meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset Pre Retirement Pension Fund – this aims to provide growth with lower levels of volatility than the Standard Life Sustainable Multi Asset Growth Pension Fund. The fund aims to meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset At Retirement Pension Fund – this aims to provide a low volatility investment in the approach to retirement and is designed to be appropriate for members who want flexibility or who intend to access their pension savings through income drawdown. The fund aims to meet this goal by investing in assets such as equities, bonds, non-residential property and cash.

Alternative Lifestyle strategies

In addition to the default lifestyle strategy, the Trustee offers four alternative lifestyle strategies:

1. Standard Life Sustainable Multi Asset Annuity Strategic Lifestyle Profile
2. Standard Life Sustainable Multi Asset Lump Sum Strategic Lifestyle Profile
3. Standard Life Sustainable Multi Asset Drawdown Strategic Lifestyle Profile
4. Standard Life Sustainable Multi Asset Universal (10 Year) Strategic Lifestyle Profile

Details of these strategies are set out below.

Standard Life Sustainable Multi Asset Annuity Strategic Lifestyle Profile



The strategy invests in three funds over time. Details of the Standard Life Sustainable Multi Asset Growth Pension Fund are set out above and details of the other two funds are set out here:

Standard Life Sustainable Multi Asset Pre Retirement (Annuity) Pension Fund – this aims to provide growth with lower levels of volatility than the Standard Life Sustainable Multi Asset Growth Pension Fund. The fund aims to meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset At Retirement (Annuity) Pension Fund – this aims to provide a low volatility investment in the approach to retirement and is designed to be appropriate for members who intend to purchase an annuity at retirement. The fund aims to meet this goal by investing in bonds and cash.

Standard Life Sustainable Multi Asset Lump Sum Strategic Lifestyle Profile



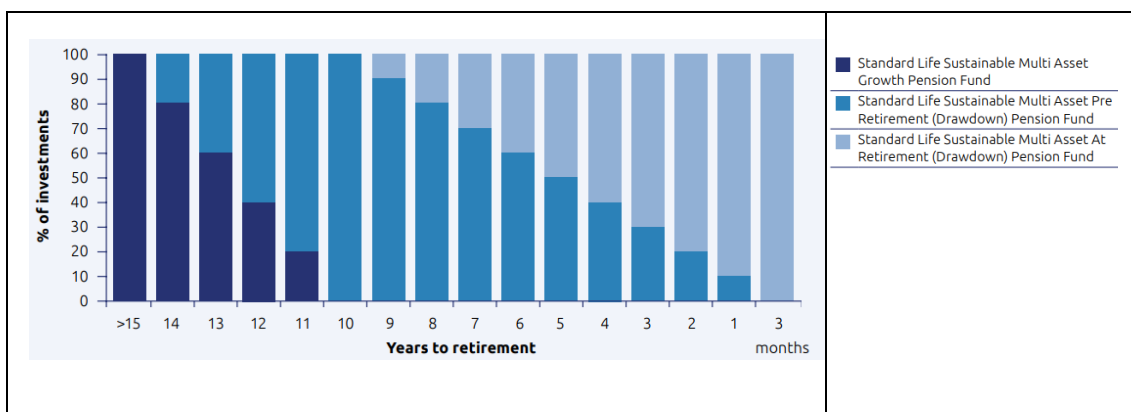
The strategy invests in three funds over time. Details of the Standard Life Sustainable Multi Asset Growth Pension Fund are set out above and details of the other two funds are set out here:

Standard Life Sustainable Multi Asset Pre Retirement (Lump Sum) Pension Fund – this aims to provide growth with lower levels of volatility than the Standard Life Sustainable Multi Asset Growth Pension Fund. The fund aims to

meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset At Retirement (Lump Sum) Pension Fund – this aims to provide a low volatility investment in the approach to retirement and is designed to be appropriate for members who intend to take a cash lump sum at retirement. The fund aims to meet this goal by investing in assets such as equities, bonds, non-residential property and cash.

Standard Life Sustainable Multi Asset Drawdown Strategic Lifestyle Profile



The strategy invests in three funds over time. Details of the Standard Life Sustainable Multi Asset Growth Pension Fund are set out above and details of the other two funds are set out here:

Standard Life Sustainable Multi Asset Pre Retirement (Drawdown) Pension Fund – this aims to provide growth with lower levels of volatility than the Standard Life Sustainable Multi Asset Growth Pension Fund. The fund aims to meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset At Retirement (Drawdown) Pension Fund – this aims to provide a low volatility investment in the approach to retirement and is designed to be appropriate for members who intend to take access their benefits through drawdown at retirement. The fund aims to meet this goal by investing in assets such as equities, bonds, non-residential property and cash.

Standard Life Sustainable Multi Asset Universal (10 Year) Strategic Lifestyle Profile



The strategy invests in three funds over time:

Standard Life Sustainable Multi Asset Growth (10 Year) Pension Fund – this aims to provide long term growth while being managed to a level of risk. The fund aims to meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset Pre Retirement (Universal 10 Year) Pension Fund – this aims to provide growth with lower levels of volatility than the Standard Life Sustainable Multi Asset Growth Pension Fund. The fund aims to meet this goal by investing in assets such as equities, bonds and non-residential property.

Standard Life Sustainable Multi Asset At Retirement (Universal 10 Year) Pension Fund – this aims to provide a low volatility investment in the approach to retirement and is designed to be appropriate for members who want flexibility or who intend to access their pension savings through income drawdown. The fund aims to meet this goal by investing in assets such as equities, bonds, non-residential property and cash.

Self-select funds

In addition to the lifestyle strategies, the Trustee offers a range of standalone funds across a number of asset classes. These are detailed below along with the respective managers' objectives. Members are also able to invest in any of the component funds of the lifestyle profiles covered above on a self-select basis.

| Fund | Objective |
|--|---------------------------|
| Equities | |
| iShares UK Equity Index Pension Fund | Track index |
| Vanguard US Equity Pension Fund | Track index |
| BlackRock ACS World ex UK Equity Tracker Pension Fund | Track index |
| Blackrock ACS Continental European Equity Tracker Pension Fund | Track index |
| iShares Pacific ex Japan Equity Index Pension Fund | Track index |
| iShares Emerging Markets Equity Index Pension Fund | Track index |
| Schroder Global Emerging Markets Pension Fund | Outperform index |
| ASI UK Smaller Companies Pension Fund* | Outperform index |
| Bonds | |
| iShares UK Gilts All Stocks Index Pension Fund | Track index |
| iShares Index Linked Gilt Index Pension Fund | Track index |
| iShares Corporate Bond Index Pension Fund | Track index |
| Other | |
| Standard Life Property Pension Fund | Long term growth |
| Standard Life Money Market Pension Fund | Return money market rates |

**The fund is closed to new contributions, but accrued assets are maintained; allowing for redemptions only.*