

# Statement of Investment Principles

## Amway (Europe) Limited Employee Benefits Plan

### Introduction

This document contains a statement of the principles governing the investment decisions of the Trustees of the Amway (Europe) Limited Employee Benefits Plan (the "Plan"). This has been prepared by the Trustees in accordance with the requirements under the Pensions Act 1995, as amended by the Pensions Act 2004 (the "Act").

Before preparing this document, the Trustees have had regard to the requirements of the Act and the relevant regulations (the Occupational Pension Schemes (Investment) Regulations 2005). The Trustees will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Before finalising this Statement of Investment Principles ("SIP"), the Trustees have:

- a obtained and considered written advice from the Plan's Investment Consultants; and
- b consulted with Amway (Europe) Limited (the "Employer").

The Trustees will consult the Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

Non-financial matters, such as the views of beneficiaries and members of the Plan have not been (and are not ordinarily) taken into account in determining the Trustees' investment principles or the current investment strategy.

In accordance with the requirements of the Act, the Trustees will review this SIP at least every three years and without delay after any significant change in investment strategy.

### Investment objectives

The investment objectives of the Plan are:

- a The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the Employer, the cost of current and future benefits of the Plan.
- b To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Scheme Specific Funding requirements.
- c To minimise the long term costs of the Plan by maximising the return on the assets whilst having regard to the objective shown under b.

### Investment strategy

The Trustees have received written advice to determine an appropriate investment strategy for the Plan consistent with achieving the investment objectives. The Trustees' assessment of the strength of the Employer's covenant is considered in deciding on the level of risk within the Plan's investment strategy.

The Trustees expect that the level of risk within the investment strategy will reduce over time (and this expectation is taken into account in the Plan's approach to the scheme specific funding requirements).

The Plan holds investments as permitted by its Trust Deed and Rules in two broad categories:

- i. return-seeking assets: instruments held for the purpose of seeking a return in excess of expected liability payments (including, but not limited to, equity and property)
- ii. matching assets: instruments held for the purposes of broadly matching the Plan's expected liability payments (including, but not limited to, government bonds and investment-grade corporate bonds).

The Trustees may also make use of derivative instruments to manage other risks within the Plan and for efficient portfolio management purposes as permitted under the Plan's Trust Deed and Rules.

The Plan's current strategy takes in to account the Trustees' risk appetite and return expectations and is set to invest in approximately 40% return-seeking assets with 60% in matching assets. The current strategic benchmark is set out in the table below:

<b>Asset class</b>	<b>Tolerance range (%)</b>	<b>Target Weight (%)</b>	<b>Index</b>
UK equities	2.5 – 7.5	5.0	FTSE All-Share
Overseas equities	5 – 10	7.5	FTSE World (ex UK)
Overseas equities (currency hedged)	17.5 – 27.5	22.5	FTSE World (ex UK) GBP Hedged
Index-linked gilts	5 – 15	10.0	FTSE Actuaries UK Index-linked Gilts Over 5 Years
Long-dated index-linked gilts	20 – 30	25.8	FTSE Actuaries UK Index-linked Gilts Over 15 Years
Long-dated fixed interest gilts	10 – 15	13.0	FTSE Actuaries UK Conventional Gilts Over 15 Years
UK corporate bonds	10 – 15	11.2	Markit iBoxx £ Non-Gilts (ex BBB)
Property	0 – 5	3.0	AREF/IPD UK Quarterly All Balanced Property Funds
Property	0 – 5	2.0	MSCI AREF/IPD UK Quarterly Property Fund – All Balanced Property Fund Weighted Average
<b>100.0</b>			

The balance between these investment categories will be determined from time to time with regard to maximising the expectation of achieving the Plan's investment objectives. This will take into account the strength of the Employer's covenant, expectations of returns, risk and correlations between the asset classes in which the Plan invests. The Trustees seek to diversify the Plan's risk exposures and manage its investments efficiently.

The Trustees will monitor the liability profile of the Plan and will regularly review, in conjunction with the Investment Consultants and the Scheme Actuary, the appropriateness of its investment strategy.

The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate. However this is not expected to be a strategic allocation.

The Trustees' policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances. This is intended to prevent, where possible, the realisation of assets disrupting the Plan's overall investment strategy. The Plan will hold sufficient cash to meet benefit and other payment obligations.

## Investment managers

In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to the appointed investment managers. The investment managers are regulated by the Financial Conduct Authority (or other appropriate regulator) and provide the skill and expertise necessary to manage the investments of the Plan competently.

As required under Section 36 of the Act, the Plan's Investment Consultants will provide written advice on new manager appointments in respect of the 'satisfactory' nature of the investments. On an annual basis, this advice will be reconfirmed for all of the Plan's investment managers.

The Trustees have delegated the day-to-day investment management to two investment managers:

- Legal & General Assurance (Pensions Management) Limited ("Legal & General") are appointed as a passive multi-asset manager and as an active property manager,
- Schroder Unit Trusts Limited ("Schroder") are appointed as an active property manager.

Whilst the Trustees are not involved in the investment manager's day to day method of operation and therefore cannot directly influence attainment of the performance target, they will assess performance and review their appointment on a regular basis, usually annually. Measurable objectives on the fund managers' performance have been determined consistent with the achievement of the Plan's longer term objectives, and an acceptable level of risk:

- The passively managed funds should track their benchmark within  $\pm 0.35\%$  per annum (gross of fees) over rolling three year periods.
- For the property fund, Legal & General targets to exceed the benchmark (net of fees) over rolling three year periods
- Schroder targets to outperform the benchmark of their property fund by 0.5% (net of fees) per annum over rolling three year periods.

The Trustees require their investment managers to "comply or explain" their position in adherence to the Stewardship Code and encourage them to address areas of weakness or non-compliance.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights.

From time to time the Trustees will review the investment managers' compliance with their voting and engagement policy and the Stewardship Code. When considering the appointment of new managers, and reviewing existing managers, the Trustees, together with their investment consultant, look to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.

The contents of this SIP must include either the Trustees' policy in relation to the following matters or reasons as to why they are not set out:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies
- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies
- How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range
- The duration of the arrangement with the asset manager

The Trustees do not currently have a policy or monitor any of the items above. At present, the investment managers invest almost all assets on a passive basis and manage the allocation of the assets within control ranges provided to them by the Trustees. As such, the Trustees do not deem the items above to be relevant in monitoring the performance of the passive investment manager. The Trustees would review this should the Trustees amend their policy of investing the assets on a passive basis or providing control ranges to the investment managers. Although the property assets held with each manager are actively managed, they comprise a small proportion of the overall investments and the Trustees do not intend to increase this holding. As such, the Trustees do not believe the policies or monitoring described above to be proportionate to these funds.

### **Investment Consultants**

The Trustees of the Plan have selected an investment consultancy firm as advisor to the Trustees. The appointment will be reviewed by the Trustees formally on at least a triennial basis.

### **Additional Voluntary Contributions (AVCs)**

The Trustees provide a range of investment options for members within the AVC arrangements. In selecting appropriate investments, the Trustees are aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.

### **Environmental, social and governance considerations**

Environmental, social and governance ("ESG") issues, including climate change, may be financially material to the investment portfolio over the Plan's time horizon.

In practice, the proportion of the Plan's assets invested in government securities is likely to increase as the Plan matures. As such, ESG considerations are only expected to impact a minority of the portfolio. Given this, and the fact that the majority of the Plan's assets are currently managed on a passive basis, the Trustees have taken a proportionate approach to ESG considerations, as follows:

- The Trustees expect investment managers to consider financially material environmental, social and governance issues in investment decision making.
- The Trustees expect investment managers to practice good stewardship, including engagement with firms and exercise of voting rights.

The Trustees will monitor the investment managers in this regard from time to time.

### **Other matters**

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

The Trustees recognise there are a number of risks involved in investing the assets of the Plan. These include (but are not limited to) deficit risk, manager risk, liquidity risk, currency risk, interest rate and inflation risk, political risk, sponsor risk and counterparty risk. The Trustees take account of all financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of investment time horizons and objectives. The Trustees' time horizon reflects the time horizon of the Employer's business and Plan's maturing liability profile. The Trustees consider sustainable investment

factors, such as (but not limited to) those arising from ESG considerations, including climate change, in the context of this broader risk management framework.

**Name: Malcolm Humphrey**

**Date: 30/09/2020**

Authorised for and on behalf of the Trustees of the Plan