

Revlon Group Pension Plan - Statement of Investment Principles

September 2020

Introduction

- 1 The Revlon Group Pension Plan (the “Plan”) is a Registered Pension Plan for the purposes of the Finance Act 2004. The Plan provides defined benefits and also provided the facility for members to pay Additional Voluntary Contributions (“AVCs”).
- 2 This document is the Statement of Investment Principles (“SIP”) made by the Trustee of the Plan in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).
- 3 Before finalising this SIP, the Trustee took written advice from the Plan’s Investment Consultant (Towers Watson Limited) and consulted Revlon International Corporation (“the Employer”). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.
- 4 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. The Trustee will consult the Employer before revising this statement.
- 5 The Trustee does not consult with members when determining the investment strategy.

Plan objectives

- 6 The Trustee’s long-term investment objective is the acquisition of suitable assets of appropriate liquidity which are intended to generate, together with new contributions from members and the employer as applicable, income and capital growth to meet the cost of current and future benefits provided by the Plan.
- 7 The Trustee seeks to achieve this objective through investing in a suitable mixture of real and monetary assets. The Trustee recognises that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. A mixture across asset classes is intended to provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the Trustee and at an acceptable level of cost to the employer.
- 8 The Trustee has considered (amongst other factors) the nature of the Plan’s liabilities and the Plan’s Statutory Funding Objective when deciding on its investment strategy.
- 9 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Investment Consultant and Scheme Actuary, the appropriateness of its investment strategy.

- 10 For the AVCs, the investment risk is borne by the member. The Trustee's primary investment objective for these sections is therefore to provide a range of investment options, which broadly satisfy the risk profiles of all members who have AVC accounts.

Investment strategy

- 11 The Trustee has appointed Legal & General Assurance (Pensions Management) Limited, who delegate investment management to Legal & General Investment Management (L&G) to manage the Plan's assets on a passive basis.
- 12 The table below shows L&G's mandate, the indices which it will be tracking, and the permitted ranges for the asset classes.

Fund	Market index	Allocation	Permitted range ±%
Diversified Growth		50.0%	3.5
Diversified Growth Fund	FTSE Developed World Index - 50% GBP Hedged	50.0%	3.5%
Bonds		50.0%	3.5
Investment Grade Corporate Bond – over 15 Year – Index Fund	iBoxx £ Non-Gilt (Over 15 Year)	10.0%	1.0
Fixed Interest gilts – Over 15 Year Gilts Index	FTSE A Government (Over 15 Year)	10.0%	1.0
Fixed Interest gilt – 2060 Gilt Fund	Single Stock Treasury 4.00% 2060 Gilt	2.5%	0.25
Fixed Interest gilt – 2068 Gilt Fund	Single Stock Treasury 3.50% 2068 Gilt	7.5%	0.75
Over 15 Year Index-Linked Gilts Index	FTSE A Government Index-Linked (Over 15 Year)	15.0%	1.25
2055 Index-Linked Gilt Fund	Single Stock Treasury 1.25% 2055 Index-Linked Gilt	5.0%	0.5
Total		100%	

- 13 L&G will consider the Plan's asset allocation and will rebalance back to the central allocation (as shown in the third column in the table above) should the actual allocation exceed the permitted ranges.
- 14 L&G aims to produce returns which are expected to be in line with the total returns (i.e. including both income and capital growth) of the indices associated with each of the asset classes stated above.
- 15 The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet, together with new contributions as applicable, the Plan's normal cashflow requirements. The Trustee has adopted this policy so that the realisation of assets will not disrupt the Plan's overall investment policy, where possible. The Trustee, together with the

Plan's administrators, will also ensure that it holds sufficient cash to meet the regular benefit outgo from time to time.

Financially Material Considerations (including Environmental, Social and Governance matters)

- 16 The Trustee recognises that a company's long-term financial success is influenced by a range of factors which can include the appropriate management of Environmental, Social and Governance (ESG) issues (including but not limited to climate change). Whilst it is the Trustee's preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is to act in the best financial interest of the members of the Plan.
- 17 The Trustee's policy is that day-to-day decisions relating to the investment of Plan assets are left to the discretion of its investment manager. The Trustee expects that, in accordance with section 36(5) of the Pensions Act 1995, its investment manager will consider all financially materially factors, including ESG-related issues where relevant, as set out in this SIP. These considerations should be factored into the selection, retention, and realisation of investments. They should also take into account the appropriate time horizon over which those assets are expected to be held by the Plan. The Trustee explores these considerations with its manager to understand how they exercise these duties in practice and receives reports on how these issues are addressed.
- 18 Consequently the Trustee seeks, via its selection and oversight of its investment manager, to encourage the companies in which the Plan invests to adopt sustainable business practices and high standards of corporate governance with the aim of protecting and enhancing long-term shareholder value. The Trustee does not take into account non-financial matters when determining the selection, retention, and realisation of investments.

Investment strategy – AVCs

- 19 The Plan's AVC arrangements provide for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members with AVC accounts, given that members' benefits will be directly determined by the value of the underlying investments.

Investment managers and Trustee policy

- 20 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers, which may include an insurance company or companies. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Plan competently. Before investing in any manner, the Trustee obtains and considers proper advice on the question of whether the investments are suitable having regard to the risks and matters set out in *Section 29* below.
- 21 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will, however, monitor the performance of each manager relative to its benchmark.
- 22 Alignment between a manager's management of the Plan's assets and the Trustee's policies and objectives are a fundamental part of the appointment process of a new manager. Before investing, the Trustee will seek to understand the manager's approach to sustainable investing

- (including engagement). When investing in a pooled investment vehicle, the Trustee will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives.
- 23 To maintain alignment, managers are provided with the most recent version of the Plan's Statement of Investment Principles on an annual basis and are required to explicitly confirm that the Plan's assets are managed in line with the Trustee's policies as outlined in that statement.
 - 24 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on medium to longer-term financial outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
 - 25 Further, should the Trustee's monitoring process reveal that a manager is not taking into account medium to longer-term financial outcomes, or that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment / ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
 - 26 For the avoidance of doubt, the Trustee does not consider a manager's non-financial performance in its assessments/monitoring. This is because the Trustee does not take into account non-financial matters when determining the selection, retention, and realisation of investments.
 - 27 The appointment of the investment manager will be reviewed by the Trustee at least every three years. The review of the manager will include consideration of the historical performance and the investment processes used by the Manager. The review will also consider the manager's compliance with the Trustee's policies and the requirements of the Act concerning diversification and suitability, where relevant.
 - 28 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of whether the Trustee's policies have been / will be followed (including in relation to long-term factors and engagement).
 - 29 The Trustee reviews the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover (these are the costs incurred as a result of the buying, selling, lending or borrowing of investments). In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.
 - 30 The Trustee's policy is to invest the Plan's assets in pooled index-tracking funds. The investment manager's investment process within the Diversified Fund is to hold between 20% and 50% in bonds, the remaining 50% to 80% will be held in a range of assets which may include equities, property, commodities and listed infrastructure, private equity and global real estate companies. Exposure to each asset class will primarily be through investing in passively managed funds, although active management may be used for some asset classes where the investment manager (L&G) believes there is an advantage in doing so. The asset allocation

will be reviewed periodically (at least annually) and the fund will not take short term, tactical asset allocation positions. Derivatives may be used within the underlying funds for efficient portfolio management.

- 31 For most of the Scheme's investments, the Trustee expects the investment manager to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.
- 32 The Trustee understands that the investment manager takes into account the key principles of activism as endorsed by the Institutional Shareholders' Committee. Furthermore, the Trustee expects the investment manager to engage with companies (and other relevant persons including, but not limited to, investment managers, and issuers/other holders of debt and equity) on things including capital structure of investee companies, actual and potential conflicts, performance, strategy, risks, corporate governance, and social, environmental and ethical issues concerning Trustee investments. The Trustee believes such engagement will protect and enhance the long-term value of its investments.
- 33 The rights (including voting rights) attaching to their holdings in any pooled arrangements themselves are exercised by the Trustee in the best financial interests of the Plan.

Managing risk

- 34 In determining the Plan's strategic asset allocation, the Trustee attempts to select an allocation that will achieve a risk adjusted return consistent with the achievement of the Plan's performance objectives.
- 35 The Trustee recognises the need to take some risk in order to generate a sufficient investment return over the long term to make the Plan affordable, as measured by the contributions payable. However, the Trustee does not wish to take so much risk that the volatility of the investment returns relative to the liabilities becomes unacceptable. The Trustee will review the level of risk relative to the liabilities at least every three years.
- 36 The Trustee recognises a number of risks involved in the investment of the Plan's assets:
- Solvency risk and mismatching risk
 - are measured through among other things regular investment strategy reviews, ongoing triennial actuarial valuations, annual funding updates and the assessment of the expected development of the liabilities relative to the current and alternative investment policies.
 - are managed through among other things the choice of the benchmark and the asset ranges set out in Section 12 of this Statement, in addition to assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
 - Manager risk
 - is managed through among other things the use of passive management, the ongoing monitoring of the Investment Manager's actual deviation of returns relative to the objective and factors supporting the Investment Manager's investment process.

- Liquidity risk
 - is measured by among other things the level of cashflow required by the Plan over a specified period.
 - is managed by among other things the Plan's administrators who monitor the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Political risk
 - is measured by among other things the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
 - is managed by among other things regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Inappropriate investments risk
 - is measured by among other things the asset allocation and mix of assets.
 - is managed through among other things restrictions given to the Investment Manager and the use of passive management.
- Currency risk
 - is measured by among other things the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.
- Interest rate and inflation risk
 - are measured by comparing the likely movement in the Plan's liabilities and assets due to movements in inflation and interest rates
 - are managed by holding assets that respond in a similar way to the liabilities to changes in inflation and interest rates
- Sponsor risk
 - Is measured by receiving regular financial updates from the Employer and carrying out periodic covenant assessments
 - Is managed through an agreed contribution and funding schedule and regular assessment of covenant

Signed:

Name:

Date:

Authorised for and on behalf of the Trustee of the Plan