

MILLENNIUM & COPTHORNE DB
PENSION PLAN
STATEMENT OF INVESTMENT
PRINCIPLES – 2020 EDITION

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustee of the Millennium & Copthorne Pension Plan ("the Plan") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, Mercer Ltd ("Mercer"), whom it believes to have a degree of knowledge and experience that is appropriate for the management of its investments; and
- consulted with the Sponsoring Employer, although it affirms that no aspect of its strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee's investment policy for the Plan.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustee's primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

The Trustee has also received confirmation from the Scheme Actuary during the process of revising the investment strategy that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives. It carries out its duties and fulfils its responsibilities as a single body.

The duties and responsibilities of the Trustee includes, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Plan at total Plan level and manager by manager
- The approval and review of the asset allocation benchmark for the Plan
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed Mercer as the independent investment adviser to the Plan. Mercer provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which Mercer expects to provide advice to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Liaising with JLT Investment Management ("JLT IM") to determine funds and investment managers that are suitable to meet the Trustee's objectives
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustee may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, it recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustee regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustee monitors the performance of the Plan's investment managers against their benchmarks.

Section 3.3 describes the responsibilities of JLT IM as investment manager to the Plan.

Mercer makes a fund-based charge. This charge covers the services of both JLT IM and Mercer as specified within the Investment Management Agreement ("IMA") and the Implemented Investment Consultancy Services Agreement ("ICA"). Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice, and as noted below, any discounts negotiated by JLT IM with the underlying managers and these discounts are passed on in full to the Plan.

The Trustee is satisfied that this is the most appropriate adviser remuneration structure for the Plan.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustee is a long term investor and does not look to change the investment arrangements on a frequent basis.

The Trustee, after considering appropriate investment advice, has appointed JLT IM as investment manager to the Plan.

The key duty of JLT IM is to select investment managers suitable to each mandate within the Trustee's agreed asset allocation.

Investment managers are selected by JLT IM based on their capabilities and, therefore, their perceived likelihood of achieving the expect return and risk characteristics required for the asset class being selected.

JLT IM will only invest in pooled investment vehicles. The Trustee therefore cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

If a manager is significantly downgraded by Mercer's Manager Research Team, JLT IM will replace that manager with a suitable alternative.

JLT IM is also responsible for appointing a suitable Platform provider, which will provide the infrastructure to support the Plan's investments and host the underlying investment managers' funds. The current Platform provider is Mobius Life Limited, whose appointment forgoes the need for a Custodian, Mobius Life Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and PRA.

JLT IM will also manage the asset allocation to ensure it is in line with the allocation defined in the IMA, and its tolerances, which will be dependent on the required rate of return.

JLT IM will monitor the underlying investment managers to ensure their continuing appropriateness to the mandates given.

The details of investment managers selected by JLT IM are set out in Appendix 3, together with the details of each manager's mandate.

In particular, the underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers selected by JLT IM will be authorised and regulated by the PRA, the FCA or both.

Incentivising investment managers

The Trustee, with the assistance of JLT IM, incentivises its underlying investment managers to align their investment strategies with the Trustee's policies mentioned in this SIP.

The fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the Trustee's policies.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan. Where possible, discounts have been negotiated by JLT IM with the underlying managers on their standard charges and the Plan benefits directly from these discounts.

None of the underlying managers in which the Plan's assets are invested have performance-based fees which could encourage the manager to make short term investment decisions to hit their targets.

The Trustee therefore considers the method of remunerating fund managers to be consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee cannot influence the charging structure of the pooled funds in which the Plan is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

JLT IM makes a fund-based charge for the services it provides. This charge is specified in the contractual agreement between the Trustee and JLT IM.

JLT IM does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of its actions and any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Plan.

JLT IM is authorised and regulated by the FCA.

The Trustee believes that this is the most appropriate basis for remunerating managers and is consistent with the Trustee's policies as set out in this SIP.

Assessing medium-to-long term performance of investments

Performance in the medium to long term can be improved where investment managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity.

The Trustee, with the assistance of Mercer and JLT IM, monitors how the underlying investment managers make decisions based on the long-term sustainability of investee companies, their own ESG policies and their approach to climate related risks and disclosures. Where the Trustee has concerns, it will raise these with the investment manager.

Duration of arrangements with investment managers

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis; therefore, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager
- The manager appointment has been reviewed and the Trustees have decided to terminate.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Plan Actuary and the Plan administrators, so far as they relate to the Plan's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustee has determined the investment strategy after considering the Plan's liability profile and requirements of the Statutory Funding Objective, the Trustee's own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustee has also received written advice from its Investment Adviser.

The basis of the Trustee's strategy is to divide the Plan's assets between a "growth" portfolio, comprising assets such as diversified growth funds (DGFs), equities and property, and a "stabilising" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The growth/stabilising allocation is set with regard to the overall expected return objective of the Plan's assets, which is determined by the funding objective and current funding level, as well as the Trustee's and Sponsoring Employer's risk tolerance. The Trustee regards the basic distribution of the assets to be appropriate for the Plan's objectives and liability profile. The strategic asset allocation and guideline ranges around it are set out in Appendix 1.

The Trustee has established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where it considers it advisable to do so, the Trustee has appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustee to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach to rebalance the assets in accordance with its overall strategy. This approach is set out in Appendix 2.

4.2 INVESTMENT DECISIONS

The Trustee distinguishes between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Plan.

The Trustee takes all such decisions themselves. The Trustee does so after receiving written advice from its investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Plan benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Plan is invested.

1.1. TYPES OF INVESTMENTS TO BE HELD

The Trustee is permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging Market debt
- Diversified growth
- Liability driven investment products
- Cash

All the funds in which the Plan invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.3 FINANCIALLY MATERIAL CONSIDERATIONS

In setting the investment strategy, this Trustee has prioritised assets which provide protection against movements in the Plan's liability value and also assets which provide diversification across a wide range of investment markets. The Trustee considers the financially significant benefits of these factors to be paramount.

However, the Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate investment and funding time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors (including but not limited to climate change).

The Trustee recognises that ESG factors, including climate change, can influence the investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as well as possible.

The Plan's assets are invested in pooled funds. The Trustee accepts the fact that it has very limited influence over the ESG policies and practices of the companies in which its managers invest. The Trustee will therefore rely on the policies and judgement of its investment managers and the Trustee will review those policies with the assistance of Mercer (the Trustee's investment adviser) annually at its quarterly trustee meetings.

JLT IM, on behalf of the Trustee, will take ESG considerations into account in the selection, retention and realisation of investments for the Plan. The Trustee understands that, when selecting, monitoring and realising investments, JLT IM reviews how managers integrate ESG risks into their investing decision making, their engagement with ESG, the diversity of the manager's team, how transparent the manager is, and their alignment with other investment managers researched, along with reviewing the specific manager's voting policies and documented policies.

4.3 NON-FINANCIAL CONSIDERATIONS

The Trustee has determined that the financial interests of the Plan members are its foremost priority when choosing investments.

The Trustee only considers factors that are expected to have a financial impact on the Plan's investments. Non-financial matters are not taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan.

4.4 CORPORATE GOVERNANCE, VOTING POLICY AND STEWARDSHIP

Stewardship and Voting

The Trustee (or agents on its behalf) exercises its ownership rights, including voting and engagement with investee companies on matters including performance, strategy, risks, social and environmental impact and corporate governance, in order to safeguard sustainable returns in the long-term.

In relation to the exercise of the rights (including voting rights) attaching to the investments, the Trustee has delegated the decision on how to exercise voting rights to its investment managers. This includes decisions around the selection, retention and realisation of investments within their mandates. The Trustee expects the investment managers to exercise these rights in accordance with their respective published corporate governance policies. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. These policies, which are available to the Trustee on request, take into account the financial interests of shareholders and should be for the Plan's benefit.

The Trustee will consider ESG factors as part of the selection of any new investment based on information and advice provided by their investment advisors. The relative importance of these factors compared to other factors will depend on the asset class being considered. Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee (having sought advice) will exercise its right in accordance with what it believes to be the best interests of the majority of the Plan's membership.

Engagement

The Investment Regulations require the Trustee to set out how they undertake engagement activities in respect of their investments, including how they monitor and engage "relevant persons" (i.e. including (but not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity)) about "relevant matters" (i.e. including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risk, social and environmental impact and corporate governance).

The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes that the investment managers are best placed to engage with investee companies on their

performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee has delegated to JLT IM and Mercer, under the terms of their engagements, the monitoring of the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustee. The Trustee expects and encourages JLT IM and Mercer to exercise these rights and undertake monitoring and engagement. JLT IM and Mercer will update the Trustee periodically on the activities undertaken in this regard. If the Trustee has any concerns, it will raise them with JLT IM or Mercer, verbally or in writing.

5 RISK

The Trustee is aware, and seeks to take account of a number of risks in relation to the Plan's investments, including the following:

Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Plan-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Plan over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plan's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Plan's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Plan's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustee by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustee acknowledges that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustee will however ensure that it are comfortable with the amount of risk that the Plan's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk: currency risk, interest rate risk and other price risk.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension Plan, the Plan may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustee acknowledges that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustee acknowledges that a Plan can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return on the Plan's assets.
- The Trustee manages this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustee is aware that Responsible Investing is one of the core beliefs of JLT IM and the Investment Advisor. As a result, part of the rating process of the Investment Adviser and decision-making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrated governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustee continually assesses and reviews the performance of its adviser in a qualitative way. The Trustee reviews the performance of its investment adviser at least every three years.

6.2 INVESTMENT MANAGERS

The Trustee receives quarterly monitoring reports on the performance of the underlying investment managers from Mercer. These reports present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, and the performance of the funds relative to the manager's stated target (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance. The reporting reviews the performance of the Plan's individual funds against their benchmarks, of the Plan's assets in aggregate against the Plan's strategic benchmark and also of the development of the Plan's assets relative to its liabilities.

The Trustee carries out formal reviews of each of the Plan's investment managers and JLT IM [annually].

As well as assessing investment returns, the Trustee will consider a range of other factors, with the assistance of their investment consultant, when assessing the performance of investment managers, which may include:

- How well the investment manager is aligned with the SIP and the Trustee's investment policies;
- Personnel and business change;
- Portfolio characteristics (including risk and compatibility with objectives) and turnover;
- Voting and engagement;
- The quality of the service provided by the investment manager, including the quality of reporting and climate-related disclosure to the Trustee; and
- The investment consultant's assessment of ongoing prospects based on the research ratings.

Any investment manager which is considered to be performing poorly may be required to account for their performance, and exceptionally the mandate may be terminated.

6.3 PORTFOLIO TURNOVER COSTS

The Trustee does not currently monitor portfolio turnover costs for the funds in which the Plan is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range. Targeted portfolio turnover is the frequency within which the assets of the Plan are expected to be bought and sold. Turnover range is the minimum and maximum frequency within which the assets of the Plan are expected to be brought or sold.

Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for the Plan.

The investment managers are expected to report on the turnover of their portfolios at least annually. The Trustee reviews this information and, with the help of its investment advisor, compares the turnover of the manager

portfolios with the different market norms and expectations that apply to the various types of strategies in which it invests.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

It is the view of the Trustee that the AVC facilities available to members should include access to the following types of investment strategy.

- An asset mix which allows members to obtain access to real returns which will offset the adverse effects of inflation. This is achieved through a high exposure to equities, and is particularly appropriate for young members, whose long-term perspective allows for acceptance of volatility in relation to investment returns (e.g. changes in market values, or variations in rates of bonus declarations) over the period of investment.
- A suitably diversified asset mix to protect members from poor investment returns from any one particular asset category.
- A fund with capital guarantees, to enable members to protect their AVCs from downside volatility, for example in the years immediately prior to expected retirement.
- A fund whose value is expected to vary with the price of annuities, for members who wish to protect the annuity purchasing power of their AVCs prior to retirement.

The Plan provides a facility for members to pay for Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement. DB members are offered a range of funds with Friends Provident in which to invest their AVCs.

8 COMPLIANCE

The Plan's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Plan's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plan's investment managers, the Plan's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on10 September 2020

Signed on behalf of the Trustee by *Jonathon Grech*

On *30 September 2020*

Full Name *Jonathon Grech*

Position *Director*

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Plan's current strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation
Growth Assets	70.0%
Baillie Gifford Diversified Growth Pension Fund	35.0%
Threadneedle Multi-Asset	17.5%
Invesco Global Targeted Returns Fund	17.5%
Stabilising Assets	30.0%
BMO Real Dynamic LDI	19.5%
BMO Nominal Dynamic LDI	10.5%
Total	100.0%

The asset allocation will be monitored by JLT IM so as to maintain it within the guideline ranges.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Plan and from income from the Plan's investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Plan's central benchmark asset allocation, as set out in Appendix 1.

The Trustee will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Plan's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Plan invests with JLT IM, whose key responsibility is to appoint suitable investment managers to each of the mandates within the Trustee's agreed investment strategy as set out in Appendix 1. The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Diversified Growth				
Baillie Gifford Diversified Growth Pension Fund	UK Bank Base Rate	To outperform UK Bank Base Rate by 3.5% p.a., net of gees, over the long term	Daily	(b) / 2
Threadneedle Multi-Asset	Bank of England Base Rate +3.5% p.a.	To outperform the target over a 5 to 7 year-cycle (net of fees)	Daily	(b) / 2
Invesco Global Targeted Returns Fund	3 Month LIBOR	To target a gross return of 5% p.a. above UK 3 Month LIBOR with less than half the volatility of global equities over the same rolling 3 year period	Daily	(b) / 2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Liability Driven Investments				
BMO Real Dynamic LDI	The liability benchmark is not scheme specific but represents the liability profile of a "typical" UK defined benefit pension scheme	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme	Weekly	(b) / 2
BMO Nominal Dynamic LDI	The liability benchmark is not scheme specific but represents the liability profile of a "typical" UK defined benefit pension scheme	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme	Weekly	(b) / 2

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited.

JLT IM will monitor the investment managers. If one of the managers is significantly downgraded by Mercer, that manager will automatically be replaced by JLT IM with a suitable alternative manager.

For avoidance of doubt, this statement will not be updated solely in response to a replacement of one of the underlying investment managers.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEE

The Trustee's responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustee in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustee, at its request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the Investment Managers' organisation could affect the interests of the Plan
 - How any changes in the investment environment could present either opportunities or problems for the Plan
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

As noted in this statement, JLT IM has been appointed as Investment Manager and will select underlying investment managers on behalf of the Trustee.

JLT IM's responsibilities include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Replacing a manager that is significantly downgraded by Mercer's Manager Research Team with a suitable alternative
- Managing the Plan's cashflows in line with the IMA
- Rebalancing the Plan's assets in line with the IMA

- Appointing a suitable Platform provider

The underlying investment managers are selected by JLT IM and therefore do not have any direct responsibility to the Trustee.

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustee's instructions.

APPENDIX 5: GOVERNANCE – MYNERS PRINCIPLES

