Pearl Group Staff Pension Scheme
Statement of Investment Principles

This Statement of Investment Principles covers the defined benefit and the defined contribution sections of the Scheme. It is set out in three parts, first the objectives and implementation of the defined benefit section, secondly those of the defined contribution section, and finally the Trustee's overall policy on issues that apply equally to the defined benefit and defined contribution sections. The Trustee is P.A.T. (Pensions) Limited.

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

This Statement of Investment Principles is intended to implement the investment strategy set out in appendix 3 of the funding agreement dated 29 June 2017 between the Trustee and Pearl Group Holdings (No.2) Limited (the 'Agreement') and is not intended to amend or otherwise vary that position.

Defined Benefit Section

Investment Objective

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

STRATEGY

The long term strategy of the Trustee is by 2031 at the latest to hold sufficient assets to cover all the liabilities of the Scheme when costed on the basis of the rates of return available on UK government securities "gilt funding basis". Following discussions with the Sponsoring Employer and advice from its investment consultant, the Trustee agreed to adopt the investment strategy in table 1.

The general approach is to manage interest and inflation rate risk (see hedging strategy section) by investing a proportion of the assets in a Liability Driven Investment (LDI) mandate, with the remainder invested in corporate bonds and some additional return seeking assets, targeting, on a best-estimate basis, to reach full funding on the gilt funding basis by June 2027 or earlier.

By Asset Class	30 June 2020		Planned asset allocation strategy	
Return seeking assets	**280**	**9.2%**	**533**	**17.5%**
Property	136	4.5%	305	10.0%
Infrastructure Equity	119	3.9%	152	5.0%
Hedge Funds	24	0.8%	76	2.5%
Risk reducing assets	**2,735**	**89.8%**	**2,514**	**82.5%**
Liability Hedging Portfolio	1,272	41.7%	914	30.0%
Corporate Bonds	1,075	35.3%	1,219	40.0%
Infrastructure Debt	389	12.8%	381	12.5%
Cash	**32**	**1.0%**	**0**	**0.0%**
TOTAL	**3,047**	**100.0%**	**3,047**	**100.0%**

1. Figures may not sum due to rounding.

2. The actual asset allocation and planned asset allocation are out of line as investments to infrastructure equity are in the process of being drawn down, alongside a planned reduction in allocation to property and hedge funds as the Scheme de-risks over time.

3. The strategic allocation to return seeking assets will reduce, in favour of risk reducing assets, as additional de-risking occurs.

Hedging Strategy

A target allocation of 30% of the Scheme assets will be invested in collateral for interest rate and inflation rate hedging. A hedge ratio of around 100% of the interest rate and inflation rate risk (on the gilt funding basis, offset for contributions) is in place, based on the cashflow benchmark.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that including risky assets in its investment strategy will enable the total Scheme assets to outperform the increase in the gilt based liabilities over the long term. The Trustee will use active fund management where it believes it can be expected to add value. However, the Trustee recognises the potential volatility in asset returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the Scheme's planned asset allocation strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.
- The choice of investment manager.

In addition, the Trustee consulted with the sponsoring employer when setting this strategy.

RISK MEASUREMENT AND MANAGEMENT

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure of investment markets to achieve the rate of investment return assumed by the Trustee (“market risk”). This risk is considered by the Trustee and its advisors when setting the Scheme’s investment strategy and on an ongoing basis.
- The failure by the Scheme's fund managers to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its advisers considered this risk when setting the Scheme’s investment strategy.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustee’s policy is to monitor the investment risks on a quarterly basis and the funding risks on an annual basis. Each quarter, the Trustee receives reports on the performance of the defined benefit section fund managers.

IMPLEMENTATION

The assets are currently invested with Legal and General Investment Management, DTZ Investment Management, Macquarie Financial Products Management Limited ("Macquarie"), Basalt Infrastructure Partners II and DIF Management B.V

Legal and General Investment Management invests assets via a life insurance policy and manages the assets through a pooled fund structure on a passive basis. The following asset classes are concerned:

- Corporate Bonds – Legal and General Investment Management will manage the Scheme's Corporate Bonds on a buy and maintain basis.
- Liability Hedging Portfolio – Legal and General Investment Management will manage the Scheme's hedging strategy, with the objective to hedge the impact of future changes in inflation and interest rates.
- Hedge Funds - managed on a buy and hold basis while these assets wind up.

DTZ Investment Management manages the Scheme's UK property portfolio on a segregated basis.

Macquarie manages the infrastructure debt portfolio on a segregated basis.

Basalt and DIF manage the infrastructure equity portfolio. This asset class is currently being built up, and will be funded from cash as opportunities arise.

Legal & General Investment Management, DTZ Investment Management Macquarie, Basalt and DIF are all remunerated on a basis related to asset values.

In addition, the fund manager or sub managers pay commissions to third parties on many trades they undertake in the management of the assets. The Trustee receives an annual statement from the fund manager setting out all the costs of the investment of the Scheme assets. It uses this statement to ensure that the costs incurred are commensurate with the goods and services received. The Trustee does not permit the payment of soft commission benefits in overseas markets.

The Trustee has appointed State Street Bank and Trust Company as the Scheme's master custodian. The custodian provides safekeeping for all the Scheme's assets and performs the associated administrative duties such as the collection of interest and dividends and dealing with corporate actions. It also provides certain accounting services and operates stock lending arrangements and collateral management facilities on behalf of the Scheme.

Investment Objective

In investing the assets of the Scheme in a prudent manner, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The Trustee has taken into account members' circumstances, in particular members' attitudes to risk and term to retirement.

The objective of the default strategy ('Retirement Pathway') is set out below on page 6.

INVESTMENT MANAGEMENT ARRANGEMENTS

The Trustee has decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider and day to day management of the funds to Aon, through Aon Investments Limited (AIL).

The available fund range consists of a number of white-labelled blended funds. The underlying managers and structure of each blended fund is delegated to the investment manager, namely AIL. A small number of additional funds are also available outside of the delegated DC funds.

ASSET ALLOCATION STRATEGY

The Trustee recognises that the key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustee therefore retains responsibility for the investment fund options made available to the membership and takes expert advice as required from its professional advisers.

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash. The asset allocation strategies have been constructed following analysis of the existing membership of the DC Section of the Scheme. This analysis took into account factors such as age, accumulated fund values and term to retirement, to identify different types of member in order to test alternative investment strategies.

Each asset allocation strategy aims to provide members with the potential for good levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take. This is achieved by automatically moving members' funds from return-seeking assets, which aim for long-term growth in excess of inflation, to a more broad-based and lower risk asset mix as a member approaches their selected retirement age.

In setting the three asset allocation strategies, the Trustee has reviewed the extent to which the return on investments (after deduction of any charges relating to those investments) is consistent with the objectives of the strategies, which is broadly to provide an appropriate risk/return profile given the needs of members.

The Trustee regularly reviews the appropriateness of the three asset allocation strategies and may make changes from time to time. Members are advised accordingly of any changes.

The strategies are offered through the provision of 'Retirement Pathway' (target date) funds for members with differing terms to retirement. Each fund covers a three year period. For example, a member born in 1990 with an expected retirement age of 65 will be invested in the Retirement Pathway 2055-2057 Fund as this is when they will reach age 65.

Details of the three asset allocation strategies are provided below.

Retirement Pathway (the default strategy)

Objectives

The objectives for the default strategy 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 and consistent with how members may take their benefits when they retire.

The objectives of the fund managers in respect of the underlying funds used within the strategy, the kinds of investments held and the balance between them, are set out below and in the Appendix.

Other investment polices relating to the default strategy are set out in the sections below.

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

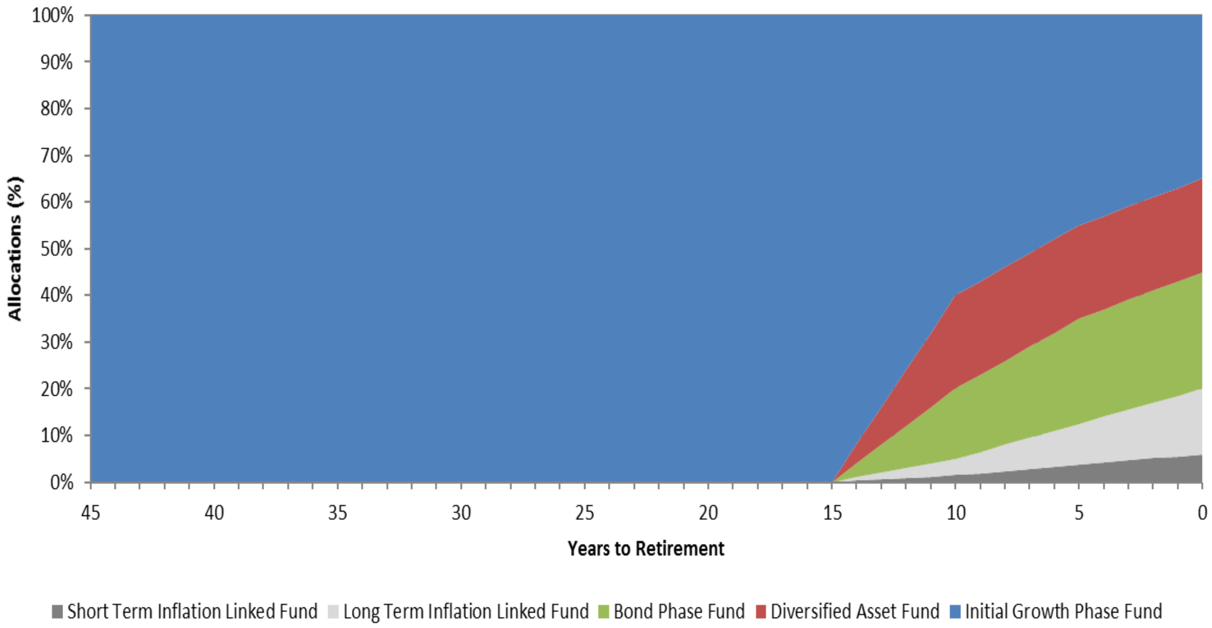
- The opportunity to increase the value of their benefits with investment growth.
- An investment which manages risk in an appropriate and considered way.
- A portfolio commensurate with how members may take their benefits when they retire.

Strategy

The strategy initially invests wholly in the Initial Growth Phase Fund until broadly fifteen years before a member's target retirement age.

From approximately fifteen years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Diversified Asset Fund, Bond Phase Fund, Short-Term Inflation Linked Fund and Long-Term Inflation Linked Fund.

At a member's target retirement date, the Retirement Pathway invests the member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments. This structure is summarised in the chart below.



Retirement Pathway to Annuity

Retirement Pathway to Annuity is available to members who do not want to take their funds in the form of drawdown but instead plan to take the maximum tax free cash sum and use the rest of their account to purchase an annuity at retirement.

This strategy is only available to members in the lead up to retirement. Members are asked five years before their selected retirement date how they intend to take their benefits and if they plan to take benefits as annuity, they will be moved to this Retirement Pathway at that point.

Retirement Pathway to Annuity follows an identical asset allocation glidepath to Retirement Pathway until 5 years before a member’s selected retirement date, and then transitions assets in a smooth progression towards an allocation to 75% in the Pre-retirement Bond Fund and 25% in the Liquidity Fund at the member’s selected retirement date. This aims to protect the value of the investments relative to movements in annuity prices and cash.

Retirement Pathway to Cash

Retirement Pathway to Cash is available to members who do not want to take their funds in the form of drawdown but instead plan to take their entire pot at retirement in the form of a cash lump sum.

This strategy is only available to members in the lead up to retirement. Members are asked five years before their selected retirement date how they intend to take their benefits and if they plan to take benefits as cash, they will be moved to this Retirement Pathway at that point.

Retirement Pathway to Cash follows an identical asset allocation glidepath to Retirement Pathway until 5 years before a member's selected retirement date, and then transitions assets in a smooth progression towards 100% allocation to the Liquidity Fund at the member's selected retirement date. This aims to protect the value of the cash lump sum available at retirement.

CHOOSING INVESTMENTS

The investment options offered to members are deemed appropriate, given the nature of the membership.

Day to day management of the funds including the selection of the underlying investment managers and asset allocation structure is delegated to AIL under Aon's Delegated DC Services. The selection of stocks is delegated to the underlying investment managers used within each fund, as chosen by AIL. The Trustee has appointed AIL, which it considers to be one of its investment managers. References in this policy to ‘underlying investment managers’ refers to those investment managers which AIL in turn appoints to manage investment on behalf of the Trustee.

The Trustee takes professional advice when formally reviewing the investment manager or fund options offered to members.

The range of investment options is set out in the table in Appendix 1.

CUSTODY

Investment in pooled funds gives the Trustee rights to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is responsible for the appointment and monitoring of the custodian of the fund's assets.

RISK MEASUREMENT AND MANAGEMENT

The Trustee recognises that members take the investment risk. The Trustee takes account of this in the selection and monitoring of the investment manager and the choice of funds offered to members.

The main areas of risk with this type of arrangement are as follows:-

Market risk - the Scheme is subject to currency, interest rate and other price risk associated with the underlying investments. 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 asset allocation strategies. Further, the Trustee closely monitors the performance of the funds and receives formal quarterly reports from the investment adviser giving views on their continuing appropriateness, and that of the underlying fund managers.

Annuity purchase – the rates applied when pension funds are used to buy annuities may be more expensive than anticipated and the more expensive annuity rates could coincide with a time when funds have lost value due to market fluctuations, as described above. For those members invested in the Retirement Pathway to Annuity, members' funds will automatically be switched into the Pre-retirement Annuity Protection Fund as they near retirement, with the aim of protecting the value of the benefits that will be provided.

Inflation – the absolute return on investments and hence the value of the pension policy may be diminished by inflation. To help mitigate this risk, a range of funds is offered including growth funds which aim to provide real growth (growth in excess of inflation) over the long term.

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 Scheme is exposed to arises from holdings in the underlying funds, through the investment in the Aegon platform and given the management by AIL. The investment adviser has provided advice on the strategies and investment options and on AIL as investment manager. This has included information on the security of the Scheme assets in relation to credit risk.

Due to the complex and interrelated nature of these and other risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the Retirement Pathway options at least triennially.

In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

EXPECTED RETURN ON ASSETS AND REALISATION OF ASSETS

Over the long-term the Trustee’s expectations are:

- for units representing “growth” assets (UK equities, overseas equities, multi-asset funds), to achieve a real return (in excess of inflation) over the long term. The Trustee considers short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long-term equities will outperform the other major asset classes

- for units representing monetary assets (UK bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities

- for units representing inflation linked assets (UK index-linked bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing real annuities that increase in line with inflation

- for units representing cash, to protect the capital value of the investment and achieve a rate of return in line with money market interest rates

In setting the default strategy, the Trustee has reviewed the extent to which the return on investments (after deduction of any charges relating to those investments) is consistent with the objectives of the default strategy, as stated on page 6.
Returns achieved by the investment manager are assessed against performance benchmarks set by the Trustee in consultation with its investment adviser and the investment manager. The Trustee recognises that members may need to realise their

assets at short notice. The Trustee considers that members' assets are realisable at short notice.

Defined benefit and defined contribution sections

General Investment Policy

For both sections it is the Trustee's policy to consider:

- A full range of asset classes, including alternative asset classes such as infrastructure equity;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class;
- The suitability of the possible styles of investment management and manager diversification; and
- The need for appropriate diversification both across asset classes and within asset classes.

Environmental, Social and Governance Factors

The Trustee considers the risk that environmental, social and governance (ESG) factors, including climate change, negatively impact the value of investments held as being financially material. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

When choosing investments, the Trustee and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The fund manager's duties include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments;

For direct investments in pooled funds, the Trustee expects the fund manager of the underlying pooled fund to carry out the above duties. Where the assets are held in segregated rather than pooled format, the Trustee expects each sub fund manager of the underlying assets to carry out the powers of investment delegated to them. In all cases the fund manager should give effect to the principles in this statement so far as is reasonably practicable.

Members Views and Non-Financial Factors

The Trustee does not explicitly take into account the views of members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries. For the DC section where the Trustee is referenced in this section this is carried out on behalf of the Trustee by AIL.

The Trustee regularly reviews the continuing suitability of the appointed investment 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 investment managers.

Where voting is concerned, the Trustee would expect the underlying asset managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustee reviews the stewardship activities of the investment managers on an annual basis, covering both engagement and voting actions, and will include this information within the Implementation Statement (IS). The Trustee will review the alignment of its policies to those of the investment managers and look for the investment managers, or other third parties, to use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure and management of actual or potential conflicts of interest. When a concern is identified, the Trustee will engage with the investment consultant to consider the methods by which, and the circumstances under which, they would monitor and engage with the investment manager and other stakeholders.

Arrangements with investment managers

The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. In particular, the Trustee seeks to ensure that the investment manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries. For the DC section where the Trustee is referenced in this section this is carried out on behalf of the Trustee by AIL.
Where the Scheme invests in funds that are regularly reviewed by the Trustee's investment consultant, the Trustee uses conclusions drawn from these assessments on a quarterly basis to determine whether the funds and investment managers remain suitable.

The above monitoring includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term 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 receives quarterly reports and verbal updates from the investment consultant and AIL on various items including the investment strategy, the default investment strategy and wider fund range, performance and longer-term positioning of the portfolio. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the investment managers over the long-term.

In line with the required actions from the Pensions Regulator, on an annual basis the Trustee will produce an IS outlining how the Trustees have adhered to the policies in this document which will also be included in the annual reports and accounts.

Before appointment of a new investment manager, 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 amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, is sufficient to incentivise the investment 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 investment managers are considered to make 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 investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed if material causes for concern are identified. Where the Scheme holds closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Transparency

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the investment managers that can increase the overall costs incurred for example trading costs of buying and selling funds. For the DC section where the Trustee is referenced in this section this is carried out on behalf of the Trustee by AIL.

The Trustee collects annual cost transparency reports covering all of the Scheme investments. The Trustee asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative (“CTI”) template for each asset class. This allows the Trustee to understand exactly what it is paying the investment managers. The Trustee expects the investment managers to offer full cost transparency via industry standard templates. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year and from which transaction costs are incurred. The Scheme's investment consultant and AIL monitor this on behalf of the Trustee as part of the manager monitoring it provides to the Trustee and flags to the Trustee where there are concerns.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

For the DC section the Trustee benefits from the economies of scale provided by AIL in two key cost areas:

- The ability of AIL to negotiate reduced annual management charges with the appointed investment managers; and
- The ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

The Trustee evaluates the performance of the investment managers relative to their benchmark and respective objectives on a regular basis via their investment monitoring reports and updates from the investment managers. The Trustee also reviews the remuneration of the Scheme's investment managers, and fees incurred by third parties appointed by investment managers, annually to ensure that these costs are reasonable in the context of the kind and balance of investments held.

The Trustee assesses value for money received from the investment managers on a regular basis by benchmarking their investment managers relative to the wider market. This enables the Trustee to have a detailed understanding of the overall costs irrelevant of net of fees performance and identify opportunities to challenge their investment managers where a particular investment manager or mandate is an outlier.

GOVERNANCE

The Trustee of the Scheme is responsible for the investment of the Scheme 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:

<table>
<tr><td colspan="2">Trustee
• Set structures and processes for carrying out its role
• Select and monitor planned asset allocation
• Select direct investments (see below)
• Decide on
– selection of investment advisers and fund managers
– investment structures and their implementation
• Monitor investment advisers and fund managers
• Monitor direct investments
• Make day to day decisions relevant to operation of Scheme’s investment strategy</td></tr>
<tr><td>Investment Adviser
• Advise on all aspects of the investment of the Scheme assets, including implementation
• Advise on this statement
• Provide required training</td><td>Fund Managers
• Operate within the terms of this statement and their written contracts
• Select individual investments with regard to their suitability and diversification
• Advise Trustee on suitability of its benchmark</td></tr>
</table>

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee’s policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include some of the pooled funds used in the defined benefit section and the vehicles available for members' contributions in the defined contribution section and members' AVCs in both sections. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

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

INVESTMENT ADVISER

Aon Solutions UK Limited has been selected as investment adviser to the Trustee. It operates under an agreement to provide a full service designed to ensure that the Trustee is fully briefed both to take the decisions it takes itself and to monitor those it delegates. Aon Solutions UK Limited is paid an agreed annual fee which includes certain defined services needed on a regular basis and a variable fee for other services.
The adviser, Aon Solutions UK Limited has the knowledge and experience required under section 36(6) of the Pensions Act 1995 and is regulated by the Financial Conduct Authority.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Appendix 1 – DC Section fund options

This Appendix provides information on the fund options that are used in the three asset allocation strategies and available through the self-select fund range.

The Trustee has decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Aon Investments Limited (AIL).

Asset class options

The table below provides details of the funds used within the Scheme's DC investment strategy and for each fund option indicates whether it is available as a self-select fund option and used within each of the three asset allocation strategies:

Fund	Self-Select	Drawdown Pathway	Annuity Pathway	Cash Pathway
Active Global Equity Fund	✓	✗	✗	✗
Active UK Equity Fund	✓	✗	✗	✗
Bond Phase Fund	✗	✓	✓	✓
Corporate Bond Fund	✓	✗	✗	✗
Diversified Asset Fund	✓	✓	✓	✓
Global Equity Fund	✓	✗	✗	✗
Initial Growth Phase Fund	✗	✓	✓	✓
Liquidity Fund	✓	✗	✓	✓
Long Term Inflation Linked Fund	✓	✓	✓	✓
Pre-Retirement Bond Fund	✓	✗	✓	✗
Property and Infrastructure Fund	✓	✗	✗	✗
Short Term Inflation Linked Fund	✗	✓	✓	✓

Investment Management Arrangements

The following table describes the mandates given to the investment manager within each asset class.

Fund	Benchmark	Target
Active Global Equity Fund	MSCI World Index as measured on a total return basis with net dividends reinvested.	To outperform the benchmark
Active UK Equity Fund	FTSE All Share (GBP) as measured on a total return basis with net dividends reinvested.	To outperform the benchmark
Bond Phase Fund	50% 3-month LIBOR GBP 50% iBoxx Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 1.5% pa over rolling three year periods
Corporate Bond Fund	iBoxx Sterling Non-Gilt All Stocks Index.	To perform in line with the benchmark
Diversified Asset Fund	Sterling Over Night Interest Average (SONIA)	To outperform the benchmark by 3.25% pa over rolling market cycle.
Global Equity Fund	MSCI All Country World Index	To outperform the benchmark
Initial Growth Phase Fund	90% MSCI All Country World Index 7% FTSE EPRA/NAREIT Developed Index 1.5% BNYM CAPS pooled fund survey median 1.5% FTSE Macquarie Global Infrastructure	To outperform the benchmark
Liquidity Fund	7 Day LIBID Rate	To perform in line with the benchmark
Long Term Inflation Linked Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	To perform in line with the benchmark
Pre-retirement Bond Fund	Manager bespoke	To perform in line with the benchmark
Property and Infrastructure Fund	70% FTSE EPRA/NAREIT Developed Index 15% BNYM CAPS pooled fund survey median 15% FTSE Macquarie Global Infrastructure 100 Index	To outperform the benchmark
Short Term Inflation Linked Fund	FTSE UK Gilts Up to 5 Year Index-Linked Gilts Index	To perform in line with the benchmark