Princes Pension Scheme

Statement of Investment Principles – June 2024

1. Introduction

The Trustees of the Princes Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation, including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with the sponsoring company, Princes Limited (the "Company"), to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives.

The Scheme has two sections, a Defined Benefit Section and a Defined Contribution Section. Each of these is covered separately in this Statement in sections 2 and 3 respectively.

In making decisions the Trustees seek professional advice. Following such advice, the Trustees undertake dialogue from which a decision is made. A sub-committee of the Trustees will be convened from time to time to discuss particular issues. The sub-committee has no decision making powers, but can recommend a course of action to the Trustees.

2. Defined Benefit Section

2.1 Investment and Funding Objectives

In February 2024, the Trustees undertook a "buy-in" by using the majority of the Scheme's assets to purchase a bulk annuity insurance policy with Aviva Life & Pensions UK Limited (Aviva), a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Under this policy Aviva undertake, via the Scheme, to pay the Scheme's benefit obligations as they fall due. The Trustees purchased the policy with Aviva having considered appropriate advice from their advisors. The remaining Scheme assets are invested in the funds detailed in Section 2.4, and the monies held in the Trustee Bank Account will be used to fund any ongoing expenses.

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees' primary objectives are as follows:

- *To ensure that the Scheme can meet its obligations to the beneficiaries.*
- *To provide protection for members' accrued benefits.*

The Trustees believe the best way of achieving this is by securing all members' benefits with an insurance company.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in Section 6.

2.2 Process For Choosing Investments

The Trustees have considered their objectives for investing the Scheme's assets and constructed a portfolio of investments consistent with these objectives.

The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 and subsequent legislation.

Following the completion of the buy-in, the Trustees received advice from Mercer regarding the re-investment of the Scheme's residual assets into appropriate funds that broadly match the Scheme's remaining interest rate and inflation sensitivities, whilst providing a high degree of liquidity and capital protection in relation to the investments to be held in cash.

In this capacity, the Scheme's residual assets beyond the bulk annuity policy are now invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day-to-day basis.

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.3 Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The risks that arise through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees have sought to mitigate this primary risk by the purchase of a bulk annuity policy. The Trustees have appointed Aviva as the annuity provider having obtained and considered written advice. The policy is an asset of the Scheme. Broadly speaking, under the policy, Aviva make payments equal to the benefit payments due to members as specified in the data provided to Aviva.
- The Trustees acknowledge a number of risks remain having purchased the bulk annuity:

  1) Counterparty risk – the risk that Aviva may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contract, the Trustees obtained

and carefully considered professional advice regarding the financial strength of Aviva. The Trustees accepted the advice, namely that Aviva was financially strong and had sufficient capital resources to support the proposed transaction and that, correspondingly, there was no reason in relation to financial strength why the transaction should not proceed. In addition, the Trustees are aware that there is a level of protection offered to members by the Financial Services Compensation Scheme (“FSCS”).

2) Liquidity risk – the risk that the Scheme’s assets are not sufficiently liquid to meet the Scheme’s cashflow requirements. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with Aviva. Prior to purchasing the policy, the Trustees were satisfied that all known members’ benefits would be insured in full.

3) Lack of diversification – The Trustees recognise that entering into an annuity contract with a single provider represents a concentration of risk. However, the Trustees are satisfied that this risk is acceptable after due diligence on the provider.

- The Scheme also invests residual assets in three Mercer Funds (namely passive gilt funds and a cash fund). The passive gilt funds are held to provide interest rate and inflation sensitivity in order to manage the risk that the cost of securing additional benefit payments, using residual assets, increases due to these factors. The cash fund in which the Scheme invests is subject to small amounts of interest rate risk, inflation risk and credit risk. The aim of the fund is to provide capital security and liquidity.

- This is not an exhaustive list of risks that the Scheme’s investments may face, but serves to highlight some of the key risks identified to date.

- The safe custody of the Scheme’s assets held outside the bulk annuity policy is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme’s circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

2.4 Investment Strategy

The Trustees are accountable for the investment of the Scheme’s assets. The Trustees delegate some aspects of the Scheme’s investment arrangements in order to manage the Scheme’s affairs effectively.

The Trustees, following consultation with the Sponsoring Company, purchased a bulk annuity policy issued by Aviva. Aviva is authorised by the Bank of England Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK.

In addition, the Trustees invest residual balances in gilt funds, a cash fund and a bank account. All investment decisions including strategic asset allocation and monitoring of the Investment Manager are based on advice received from the Investment Consultant. Mercer has been appointed for this purpose.

2.5 Day-to-Day Management of the Assets

2.5.1 Assets outside of the Bulk Annuity Policy

The Trustees invest the residual assets of the Scheme in pooled funds provided by Mercer. The Scheme's assets are held in passive gilts and a cash fund.

The residual assets' strategic allocation was implemented after considering written advice over time:

Fund	Initial Allocation	Benchmark Index
MGIE UK Long Gilt Fund	12.2%	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
MGIE UK Inflation Linked Bond Fund	18.4%	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index
MGIE UK Cash Fund	69.4%	FTSE GBP 1 Month Euro Deposit
Total	**100.0%**	

These allocations will not be automatically rebalanced.

The Investment Manager has full discretion to buy and sell investments on behalf of the Scheme, subject to agreed constraints and applicable legislation. The Trustees have taken steps to satisfy themselves that the Investment Manager has the appropriate knowledge and experience for managing the Scheme's investments.

2.5.2 Investment Management Arrangements

Alignment of Insurer Objectives and Incentivisation

Aviva have been appointed with the aim of insuring the Scheme's liabilities and reducing the Scheme's funding volatility. The Trustees sought expert advice in relation to this appointment. This includes an assessment of Aviva's capabilities, knowledge and experience. The annuity policy is managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policy is aligned with the Trustees' objectives and the terms of the policy incentivise Aviva to meet the Trustees' objectives. The Trustees understand that they have no ability to determine or influence the assets in which Aviva invests. The Trustees recognise that the annuity investment is illiquid and cannot be traded.

The objective for the passive gilt funds is to track the total return of the relevant market index, within specified tolerances (see below).

Fund	Expected Tracking Error ±% p.a. over 5 year rolling periods
MGIE UK Long Gilt Fund	Less than 0.25
MGIE UK Inflation Linked Bond Fund	Less than 0.25
MGIE UK Cash Fund	0.5

The MGIE UK Cash Fund is invested with the aim of achieving a cash return while minimising risk. This is aligned with the Trustees' objectives.

The Trustees can terminate Mercer's appointment with minimal notice if they become concerned over Mercer's ability to deliver against these objectives.

Performance Assessment & Fees

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustees' choice of insurer taking the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remunerating the insurer.

Mercer receive income on the Mercer Funds as a percentage of the amount invested. Performance is assessed against the applicable benchmark indices.

Portfolio Turnover Costs

The obligation of the insurer to make payments is not impacted by on-going turnover costs and is not considered by the Trustees.

The gilts and cash funds' trading costs are minimal. As such the Trustees do not intend to monitor turnover costs explicitly in relation to these holdings.

2.6 Realisation of Investments

The selection of investments is carried out in a way consistent with the overall principles set out in this Statement.

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under the annuity contract. These payments are available to meet the Scheme's cash outflows.

The Trustees on behalf of the Scheme also own units in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

3.1 Investment Objectives

The Trustees recognise that members have different investment needs and that these may change during the course of members working lives. The Trustees also recognise that members have different attitudes to risk and endeavour to provide a choice of funds with different risk profiles. The following encapsulates the Trustees' investment objectives:

"To maximise the value of the members' retirement benefits subject to acceptable levels of investment risk, management and administration costs."

The DC Section is closed to new members.

3.2 Risk

There are various risks to which the defined contribution section is exposed. In particular, the Trustees' policy on risk management in respect of this section is as follows:

<table>
<tr><th colspan="2">Risk</th><th>Description</th><th>How is the risk monitored and managed?</th></tr>
<tr><td rowspan="4">Market risks</td><td>Inflation risk</td><td>If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.</td><td rowspan="4">The risk of market volatility reducing a member's fund close to retirement is recognised. To reduce this risk, the Trustees operate a lifestyle switching programme, which progressively switches each member's fund from a growth oriented strategy to bonds and cash in the 9 years prior to retirement.

The Trustees recognise the risks that may arise from the lack of diversification of investments. The Trustees therefore invest in pooled fund vehicles, with the aim to ensure that the fund choices and manager structure policies in place result in adequately diversified portfolios for members to invest in.</td></tr>
<tr><td>Currency risk</td><td>The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.</td></tr>
<tr><td>Credit risk</td><td>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.</td></tr>
<tr><td>Equity, property and other price risk</td><td>The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' individual accounts. The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested.</td></tr>
<tr><td colspan="2">Environmental, Social and Corporate Governance risk</td><td>The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.</td><td>The management of ESG related risks is delegated to investment managers.

See Section 6 for the Trustee's responsible investment statement.</td></tr>
<tr><td colspan="2">Investment Manager risk</td><td>The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.</td><td>The Trustees regularly review performance of investment funds.

The management of this risk is outsourced to the Investment Manager.

The document governing the Investment Manager appointment includes a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.</td></tr>
<tr><td colspan="2">Liquidity risk</td><td>The Scheme must be able to meet its liabilities as and when they become due.</td><td>Members invest in daily dealt pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.</td></tr>
</table>

Risk	Description	How is the risk monitored and managed?
Pension Conversion risk	The purchasing power of members may fall relative to how they wish to take benefits at retirement.	The Trustees make use of a lifestyle strategy for DC members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. The Trustees only make available a lifestyle strategy that targets the purchase of an annuity at retirement. This is managed triennially as part of the default strategy review.

The Trustees recognise the risk of underperformance introduced by the use of active managers, and therefore the Trustees make use of passive index tracking funds wherever possible.

The above items are in relation to what the Trustees consider 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered.

3.3 Investment Strategy

The Trustees operate a lifestyling strategy for all members. The strategy invests in growth assets (via a multi-asset fund) in the years leading up to retirement, and as retirement approaches the assets are gradually switched into a bond fund and a cash fund. This approach aims to maximise potential returns on member funds prior to retirement and control the volatility of fund values as members get closer to retirement, in line with the Trustees' stated objective for this section. The funds available for members to invest in under the lifestyle strategy are shown in the table below:

Fund	Benchmark	Objective
Multi-Asset (Formerly Consensus) Fund	No formal benchmark or objective is stated. The Fund aims to provide long term investment growth through exposure to a diversified range of asset classes, excluding physical property. The diversified nature of the Fund means that the Fund is expected to have less exposure than an equity-only fund to adverse equity market conditions. However, the Fund may perform less strongly than an equity-only fund in benign or positive market conditions.	
Over 15yr Gilts Index Fund	FTSE Over 15 Year Gilts Index	Track Benchmark

Fund	Benchmark	Objective
Cash Fund[1]	BNY Mellon Pooled Fund Median	Match Benchmark

[1] As no passive cash fund exists at L&G, the Cash Fund used is actively managed and seeks to match, rather than track the benchmark.

Until nine years before a member's normal retirement date (NRD) member funds are invested in the Multi-Asset (Formerly Consensus) Fund. At a steady pre-determined rate, funds are switched over the nine years prior to NRD to the over 15 year gilts index and cash fund. Switching is undertaken quarterly, with the final switch being made the quarter before the member reaches NRD.

3.4 Default Investment Option

Within the DC Section, the only strategy available is the lifestyle arrangement, which is the default option for members.

3.4.1 The aims of the default investment option

- The default investment option is a strategy that manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default investment option, the Trustees have considered the trade-off between risk and expected returns.
- Assets in the default investment option are invested in the best interests of members and beneficiaries as a whole, taking into account the profile of members.
- Assets in the default investment option are invested in a manner, which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

3.4.2 Policies in relation to the default investment option

The Trustees believe that:

- The default investment option's growth phase structure, that invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a default option that seeks to reduce investment risk (and expected return) as the member approaches retirement by investing in a lower risk strategy across a broad range of asset classes.
- In particular, when reviewing the investment strategy of the default investment option, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustees also consider risk in terms of the (mis)alignment of investments with the method of taking benefits targeted by the default investment option.
- In view of the above, the level of risk within the decumulation phase of the default investment option should be considered in the context of managing risk throughout a member's term to retirement. This risk is managed by investing in equity, bond and multi-asset funds aiming to match short term changes in inflation rates, and in money market (cash) assets.

The Trustees have also given the chosen Investment Managers full discretion when evaluating environmental, social, and ethical considerations in the selection, retention and realisation of investments within the default investment option, subject to adhering to the investment restrictions and objectives of each component fund.

Taking into account the demographics of the Scheme's membership and the Trustees' view of how the membership will behave at retirement, the Trustees believe that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

3.5 Other default option

On 1 January 2020, members invested in the With Profits AVC policy with Equitable Life had their assets transferred to Utmost Life and invested in the Secure Cash Fund. The transfer was carried out as a bulk transfer on a non-consent basis and as a result, the Secure Cash Fund is classified as a default option. This is not a default arrangement for the purposes of auto-enrolment.

The investment strategy of the Utmost Secure Cash Fund is being used as a temporary measure following the transfer from Equitable Life to Utmost until funds are transferred gradually to the Utmost Money Market Fund over the second half of 2020. The assets from the Equitable Life With Profits Fund had to initially be moved to the Utmost Secure Cash Fund to obtain the "uplifts" to the mount transferred.

More information on these funds is included in the appendix.

3.6 Day to Day Management of Assets

The Trustees delegate the day to day management of the assets to an investment manager. The Trustees have taken steps to satisfy themselves that the manager has the appropriate knowledge and experience for managing the Scheme's investments.

The Trustees invest the assets for this section in a range of pooled funds operated by Legal & General Assurance (Pensions Management) Limited who delegate the management of assets to Legal & General Investment Management ("L&G"). This contract is written as a long term policy of assurance. L&G are regulated by the appropriate regulator. L&G has responsibility for the day-to-day discretionary management of those assets, subject to the terms and conditions contained within the Policy document governing their appointment.

3.7 Realisation of Investments

The Scheme's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation. All of the Scheme's investments are classed as liquid with most funds operating daily dealing.

3.8 Implementation and Engagement Policy

Within the Defined Contribution Section of the Scheme, the Trustees have contracted with Legal & General to deliver DC investment management services. L&G are regulated by the Financial Conduct Authority (the "FCA").

The below table sets out the Trustees' approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustees.

How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies

The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager. If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
The Trustees consider the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees responsible investment policy. This includes the underlying investment manager's policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies
The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustees' focus is on long-term performance, they also take shorter-term performance into account. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustees may review the suitability of the manager, and change managers where required
How the trustees monitor portfolio turnover costs incurred by the asset manager.
The Trustees consider portfolio turnover costs within the DC section as part of the annual value for money assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.
How the trustees define and monitor targeted portfolio turnover or turnover range.
The Trustees do not currently define target portfolio turnover ranges for funds, but they will engage with a manager if portfolio turnover is higher than expected.
How the trustees define and monitor the duration of the arrangement with the asset manager.

The Trustees are a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments.

Within the DC section, the Trustees may also choose to remove a fund from the strategy, if no longer considered appropriate, and this is reviewed on at least a triennial basis.

Defined Benefit and Contribution Sections

4. Additional Assets

Assets in respect of members' Additional Voluntary Contributions are invested in a range of unit linked funds or With Profits funds managed by Aviva, Clerical Medical, and Utmost Life and Pensions ("Utmost") formerly Equitable Life.

5. Custodian

The role of a custodian is to ensure the safe keeping of the assets, record keeping and to facilitate all transactions entered into by the appointed investment managers. The assets are held in a bulk annuity insurance policy or in pooled funds.

Custodianship of underlying DB assets is the responsibility of Aviva and Mercer. Mercer has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their pooled vehicles. Mercer is responsible for keeping the suitability of State Street under ongoing review.

For the DC section, L&G appoint and monitor the custodian for their pooled funds and arrange for all necessary custodial services. The custodians to whom work is contracted by L&G are HSBC Global Investor Services Ltd for UK investments and Citibank Ltd for overseas equities.

6. ESG, Stewardship, and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Aviva in relation to the majority of the Scheme's DB assets via a bulk annuity contract, and to Mercer in relation to remaining invested DB assets. For the Scheme's DC assets responsibility is delegated to L&G.

The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are however satisfied that Aviva apply due consideration to ESG issues in the investment of assets underlying the contract.

Given the nature of the Scheme's DB investment policy, member views and non-financially material considerations are not taken into account in the selection, retention and realisation of investments.

Within the DC section, the Trustees have given L&G full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Scheme's defined contribution investments. Member views are not explicitly taken into account in the selection, retention and realisation of investments.

6. Reporting Requirements

The DB assets held with Mercer and DC section assets held with L&G are reviewed on a quarterly basis using quarterly reports prepared by Mercer and L&G respectively, covering valuation of investments held by the Scheme, along with details of how the funds used have performed relative to the long term benchmark expectations.

7. Compliance with this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. The Sponsoring Company will be consulted on any changes to this Statement.

8. Role of the Investment Consultant

Mercer is engaged as Investment Consultant to the Scheme. The Investment Consultant provides advice to the Trustees but does not have responsibility for decision making in any area. The role encompasses, but is not limited to, the following areas:

- Assistance in helping the Trustees formulate investment objectives.
- Advice on investment strategy.
- Advice on devising an appropriate investment manager structure.
- Assistance in selecting and monitoring of investment managers.

Appendix – September 2020

Utmost Life and Pensions Limited ('Utmost') – Default Investment Strategy

At the start of 2020, the assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost. From the 1 July 2020, the assets will be gradually moved into the Utmost Money Market Fund, following advice from the investment consultant.

As the Equitable Life With Profits Fund was closed and members mapped to a new investment strategy, the Trustees have created a new default arrangement, as per the broader definition of a default in the Occupational Pension Scheme (Preservation of Benefit and Charges and Governance) (Amendment) Regulations 2018. Details of the funds used within the Utmost Secure Cash Fund, and then subsequently their Money Market Fund, the new default arrangements, are set out in this Appendix.

The investment strategy of the Utmost Secure Cash Fund is being used as a temporary measure following the transfer from Equitable Life to Utmost until funds are transferred gradually to the Utmost Money Market Fund over the second half of 2020. The assets from the Equitable Life With Profits Fund had to initially be moved to the Utmost Secure Cash Fund to obtain the "uplifts" to the mount transferred.

The Trustee's investment policies that are not explicitly mentioned in this Appendix are in line with those outlined in the main SIP. In line with regulatory requirements, the Trustees will continue to review the following over time.

Aims, Objectives and Policies

The aims, objectives and policies of each fund utilised within the default investment strategy are considered in more detail in following pages. The Trustees have focussed on what it considers to be 'financially material considerations'. The Trustees believe the appropriate time horizon over which to assess these considerations should be viewed at a member level. This will be dependent, for example, on the member's age and when they expect to retire.

Secure Cash Fund

The Trustees see the Secure Cash Fund as an appropriate interim investment whilst arrangements are made for the transfer of assets to the Money Market Fund at Utmost Life.

The main objectives of the Utmost Life Secure Cash Fund are capital preservation, liquidity and yield; in that order.

The Trustees note that the Secure Cash Fund's value is unlikely to keep pace with inflation. The fund is expected to produce a return in line with prevailing short term money market rates. Utmost has guaranteed that the unit price (net of fees) will not decrease, after accounting for charges below the price when the units were initially purchased. The Secure Cash Fund will cease to exist on 31 December 2020.

The Secure Cash Fund will predominately be invested in UK Treasury Bills, short term gilts and overnight bank deposits. On occasions, other high quality money market investments such as commercial paper or repurchase agreements may be purchased. The investment manager is responsible for determining the balance between these different kinds of investments.

The fund is daily priced.

Risk

The Trustees have considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustees consider and how they are managed.

Risk	How it is managed	How it is measured
Market Risk	The fund will predominantly be invested in UK Treasury Bills, short term gilts and overnight bank deposits. On occasions, other high quality money market investments such as Commercial Paper or Repurchase Agreements may be purchased. There is a guarantee in place that the value of the fund will not decrease, after the adjustment of fees below the price when the units were initially purchased.	The Trustees will monitor the performance of this fund, in line with the guarantee provided.
Inflation Risk	The fund is a short term investment, and as such inflation is not expected to have a large impact on the fund.	The Trustees will monitor the performance of this fund.
Counterparty Risk	The Trustees have taken comfort from the High Court ruling in 2019, which considered the status of Utmost in the initial stages of monitoring this investment. Underlying investments are considered in line with the main DC Section.	Monitor developments at Utmost, taking advice from the Investment Consultant.

Where not stated, other risks are managed and measured in line with the main DC Section.

Members Interests

The Secure Cash Fund is designed to meet its objective as outlined above. This fund will cease to exist in December 2020.

Given members have previously been invested in a with profits fund with a guarantee and the significant uplift members received when disinvesting from the with profits fund, the Trustees are comfortable with investing members assets initially in a fund that guarantees capital preservation for the first 6 months (and for partial funds thereafter until 31 December 2020).

Money Market Fund

The Trustees see the Money Market Fund as an appropriate investment following the temporary holding in the Secure Cash Fund, as detailed above.

The main objective of the Utmost Money Market Fund is to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates. The fund is daily dealt.

The Money Market Fund will predominantly be invested in short term deposits. The investment manager is responsible for determining the balance between the different kinds of investments.

Other policies are in line with the main DC Section.

Risk

The Trustees have considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustees consider and how they are managed.

Risk	How it is managed	How it is measured
Market Risk	The fund will predominantly be invested in short term deposits.	The Trustees will monitor the performance of this fund.
Inflation Risk	The fund is not aiming to keep pace with inflation.	The Trustees will monitor the performance of this fund, and will ensure members are aware of the fund's objectives.

Where not stated, other risks are managed and measured in line with the main DC Section.

Members Interests

The Money Market Fund is designed to meet its objective as outlined above.

Having considered where members assets were previously invested and the guarantee embedded in that arrangement and the fact that members received a significant uplift on disinvesting from the previous arrangement, the Trustees believe that a fund that's primary aim is to preserve capital (albeit this is not guaranteed) and liquidity is the most appropriate solution from the available fund range.

In line with regulation requirements, the Trustees will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.