



Statement of Investment Principles

For the Trustees of the Graham Tiso Staff Pension Scheme
(DB and Money Purchase Arrangements)
September 2020

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01 Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Graham Tiso Staff Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004. The Scheme contains both money purchase arrangement under which there are Guaranteed Minimum Pension ("GMP") benefits, effectively a Defined Benefit ("DB") element. This Statement covers both elements.

Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances or attitude to risk of either the Trustees or Principal Employer or changes in the demographic profile of relevant members which they judge to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by subsequent legislation);

AVCs - Additional Voluntary Contributions;

Investment Manager - An organisation appointed by the Trustees to manage investments on behalf of the Scheme;

Investment Platform Provider - A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers. The Money Purchase Arrangement uses a Platform Provider;

Principal Employer - Graham Tiso Limited;

Recovery Plan - The agreement between the Trustees and the Principal Employer to address the funding deficit;

Scheme - The Graham Tiso Staff Pension Scheme;

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the DB Section's liabilities;

Trust Deed and Rules - the Scheme's Trust Deed and Rules dated 1st June 1988, as subsequently amended;

Trustees - the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

02 Strategic investment policy and objectives

Choosing investments

The Trustees rely on professional Investment Managers for the day-to-day management of the Scheme's assets. However, the Trustees retain control over some investments. In particular, the Trustees make decisions about pooled investment vehicles in which the Scheme invests and any AVC investment vehicles.

For the Money Purchase Arrangement, individual funds are accessed through an investment platform and decisions about the particular pooled investment vehicles offered to members are made by the Trustees.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives: DB element

The primary investment objective of the Trustees is to seek ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.

The Trustees will seek to keep the costs and the manager risk in implementing the investment strategy to a minimum.

The Trustees will seek to utilise the skills of investment managers to enhance returns to the extent they reasonably expect that the manager will be able to add value in excess of the extra fees over time.

The Trustees will seek to use the skills of investment managers to reduce volatility and to increase diversity across asset classes where prudent to do so given the other investment objectives.

The Trustees will seek to manage currency risk as part of the overall investment risk of the portfolio where they reasonably consider such an approach has the potential to reduce volatility.

Long-term objectives: Money Purchase Arrangement

The Trustees' long-term objectives are to provide members with investment options that will enable them to optimise the real return on investments in order to build a fund which will be used at retirement to invest in an income drawdown product, purchase an annuity and/or be taken as a cash lump sum. The Trustees have therefore selected the investment options:

- > In order to cover a range of member interests;
- > In a manner designed to provide an appropriate level of security, quality, liquidity, cost effectiveness and profitability;

The Trustees recognise that the available investment options directly impact the Scheme members and their expectation for their retirement provision.

The Trustees have therefore set five investment objectives for the Scheme:

- > Fiduciary: To ensure members are given an appropriate range of investment vehicles and guidance on the suitability of these vehicles;
- > Funding: To give members investment opportunities that enable them to maximise the returns achieved at acceptable levels of risk;
- > Stability: To provide members with certain investment options which offer some protection against volatility in the capital value of their fund.
- > Value: To ensure that the funds represent appropriate value for money. This may include consideration of factors such as performance, volatility of returns, cost effectiveness and non-financial matters.
- > Compliance: To adhere to the provisions contained within this Statement and the Pension Regulator's DC code and DC regulatory guidance.

Expected returns

By undertaking the investment policy described in this Statement, the Trustees expect future investment returns for the DB Section will at least meet the rate of return underlying the Recovery Plan.

For the Money Purchase Arrangement the Trustees anticipate that the investment options and the associated future absolute investment returns will allow members to maintain or increase the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

The Trustees expect the long-term return on investment options that invest predominantly in equities to exceed price inflation. The long term returns on bond and cash options are expected to be lower than returns on predominantly equity options. Cash funds provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.

Investment Policy – DB element

Following advice from the Investment Consultant, the Trustees have set the investment policy and objectives with regard to the Scheme's liabilities and funding level.

The Trustees intend to achieve these objectives through investing in a diversified portfolio of return-seeking assets (e.g. <equities, property, illiquid assets, multi asset credit and multi asset funds>) and liability matching assets. The Trustees recognise that the return on return-seeking assets, whilst expected to be greater over the long-term than that on liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustees, and an acceptable level of cost to the Principal Employer.

The investment policy the Trustees have adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix II.

Investment Policy – Money Purchase Arrangement

In order to meet the above objectives, the Trustees have made available a range of investment funds with different risk-reward characteristics. Further details are provided in Appendix I.

The individual funds available and their characteristics are given in Appendix II.

Range of assets

The Trustees consider that the combination of the investment policy detailed in Appendix I and the specific manager mandates detailed in Appendix II will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Managers, the Trustees will ensure that the Scheme holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

For the Money Purchase Arrangement, the amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustees will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives, as set out in Appendix II.

Based on the structure set out in Appendix I, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation

preferences at any time, within any scope given to them through the asset allocation parameters set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria set out in Section 6.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 3, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

03 Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s Investment Managers. The Trustees require the Scheme’s Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated

responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, <social and environmental impact and corporate governance> as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees’ expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries’ views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. The Trustees measure and manage these risks as follows:

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities of the DB Section, resulting in volatility in the funding position, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustees will consider (for example) the Value at Risk.

Market risk – For the Money Purchase Arrangement, the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non equity-orientated funds.

Strategy risk - The risk that the Investment Managers' asset allocation deviates from the Trustees' investment policy is addressed through regular review of the asset allocation. In reviewing the investment strategy on a periodic basis, the Trustees will consider the current economic factors affecting the asset classes in which they have invested and the short to medium term outlook for performance by reference to e.g. current and historic yields, GDP growth forecasts and other relevant factors. The Trustees will also consider how far the actual asset allocation has drifted from the strategic asset allocation and take action to rebalance if necessary.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustees cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustees' policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see section 2).

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- > for equities, the Trustees will consider the spread of assets across various geographic and industry sectors, the concentration of investments in individual stocks and the active positions taken by the Investment Managers;
- > for real estate secondary assets and property, the Trustees will consider the spread of assets across various geographic sectors, vintage years and property types. The Trustees will also review how each fund operates within its own defined risk controls and limits;
- > for multi asset credit funds, the Trustees will consider the type and quality of the underlying assets and the volatility of each fund both in absolute terms and in comparison to the volatility of traditional credit markets;
- > for multi-asset funds such as diversified growth funds (DGFs) and private markets, the Trustees will consider the weightings within each fund to different asset classes;
- > for liability driven investment (LDI) funds, the Trustees will review risk through the type of instruments held and the risks associated with these investments.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk - The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

ESG risk – The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in this Statement.

Sequencing risk – For the Money Purchase Arrangement, the risk that numerous material transactions at

disadvantageous times, when markets are depressed for example, can have a detrimental impact on the capital value of a member's holding. This is addressed by gradual lifestyling changes throughout a member journey and offering member flexibilities post-retirement.

05 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustees have considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustees will hold cash to the extent that they consider necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment restrictions

The Trustees have established the following investment restrictions:

- > The Trustees or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;
- > Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustees may impose additional restrictions and any such restrictions are specified in Appendix II.

06 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix II.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees undertake regular reviews of the investment portfolio to ensure the investment objectives and risk limits are being adhered to. If there are concerns, the Trustees

may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- > Parent - Ownership of the business;
- > People - Leadership/team managing the strategy and client service;
- > Product - Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance - Past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives set out in Appendix II;
- > The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future;
- > The Investment Manager fails to comply with this Statement.

Investment Platform Provider fee structure

The Investment Platform Provider is remunerated by receiving a percentage of the Scheme's assets under management.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management

and, in some cases, through the application of a flat fee. In addition, a performance related fee may be payable. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover

compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees in undertaking their responsibilities.

07 Additional Voluntary Contribution arrangements

Provision of AVCs

The Scheme provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustees' objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with their reasonable expectations.

The investment funds were provided by Royal London.

The Trustees selected these vehicles as they were believed to meet the Trustees' objective of providing investment options that enabled AVC members to generate suitable long-term returns, consistent with their reasonable expectations.

Review process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of the monitoring of performance and process. The Trustees will review the appointment of the AVC providers periodically in the light of their performance.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

08 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustee of a pension scheme, it must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act.

Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

The Trustees will annually review the implementation of the principles set out in this Statement.

Appendix I DB element Investment Strategy & Structure

Overall strategy

The Trustees have adopted a strategy where assets are invested in pooled funds which give members exposure to liability matching assets along with growth assets (which for example could be equities, property, multi asset credit, multi asset funds and illiquid assets which include private markets and real estate secondaries).

The Trustees have identified the following approach which is deemed appropriate to meet the long term objectives of the Scheme:

Contributions are paid to the Royal London Crest Secure and Crest Growth Plans. Within these Plans, Individual Accounts are held for each member, into which all contributions in respect of that member were paid. On retirement, the full proceeds of each member's Individual Account are used to secure benefits in terms of the scheme rules.

The Crest Secure Plan operates on deposit administration principles and is invested in a mix of backing assets. A growth rate is declared each calendar year. Future rates of growth are not guaranteed. This is a subset of the Closed Scottish Life with profits fund.

The Crest Growth Plan is administered on unit-linked principles and allows access to a wide range of funds. Members in the Crest Growth Plan will be invested in the Royal London with profits fund, and/or the Closed Scottish Life with profits fund.

The Contingency Account, comprising monies not allocated to members' Individual Accounts, is invested in the Crest Secure Plan.

All of the above arrangements may give members exposure to the below liability matching or return seeking assets classes.

Liability matching assets

Investment in nominal or index-linked gilt and corporate bonds to provide a partial hedge against the Scheme's interest rate and inflation sensitivities.

Return-seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the funds may invest in a diversified range of return seeking assets comprising both traditional (e.g. equities) and alternative asset classes (e.g. private markets).

Equities - Equities are managed on a UK and global basis.

Property – The funds have small exposure to property to provide further diversification.

Appendix II Money Purchase Arrangement Investment Strategy & Structure

Overall strategy

The Trustees have decided to offer a range of appropriate funds to members to enable them to choose investments appropriate to their individual circumstances, whilst not offering too many funds which may deter some members from making a choice. In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the default strategy to be used where members do not make their own investment choice.

Switching between each phase of retirement investment strategies is free, automatic and takes place over a period of time to minimise the effects of buying into or selling out of a particular market when values are at extreme highs or lows.

The aim of the strategies is to maximise the value of members' retirement savings while managing the risks including volatility over the member's investment timeline, with a particular focus on the period leading up to retirement age. The Trustees, with their Investment Consultant, assessed the suitability of these investment arrangements considering the regulations governing how members can access their benefits at retirement. This assessment considered the Scheme's membership profile and members' expected fund values at retirement.

The strategies are operated in accordance with the policies described in this SIP and are intended to ensure investment in the best interests of members and beneficiaries.

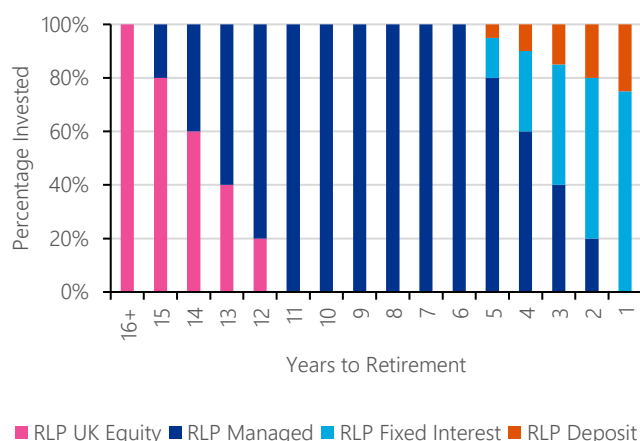
The range of investment options is as follows:

Balanced Retirement Investment Strategy:

This is the default investment strategy for Money Purchase members.

Lifestyling of strategy towards retirement

Assets are phased from 100% UK equity fund to more conservative funds over time.



Up to 16 years before retirement

100% RPL UK Equity Fund
100% UK equities.

Gradually switching from 16 years to 11 years before retirement into (stays in this fund until 6 years before retirement):

100% RPL Managed Fund
30% global equities, 25% UK equities, 15% property, 30% corporate bonds, gilts, Index-linked bonds, commodities and cash

Gradually switching from 6 years to 1 years before retirement into:

80% RPL Fixed Interest
76% gilts, 12% UK Corporate bonds, 10% International bonds, 2.5% cash

20% RPL Deposit
44% Banks and Financial Services, 32% gilts, 22% cash, 2% Covered.

Cautious Retirement Investment Strategy:

Lifestyling of strategy towards retirement

Assets are phased from towards more conservative funds over time.



Up to 16 years before retirement

100% RLP Managed Fund
30% global equities, 25% UK equities, 15% property, 30% corporate bonds, gilts, Index-linked bonds, commodities and cash

Gradually switching from 16 years to 11 years before retirement into (stays in this fund until 6 years before retirement):

100% RLP Defensive Managed Fund
18% international equity, 16% UK equity, 13% Corporate bonds, 12% Index-Linked bonds, 12% property, 11% gilts, 9% absolute return, 6.6% international bonds, 4% commodities.

Gradually switching from 6 years to 1 years before retirement into:

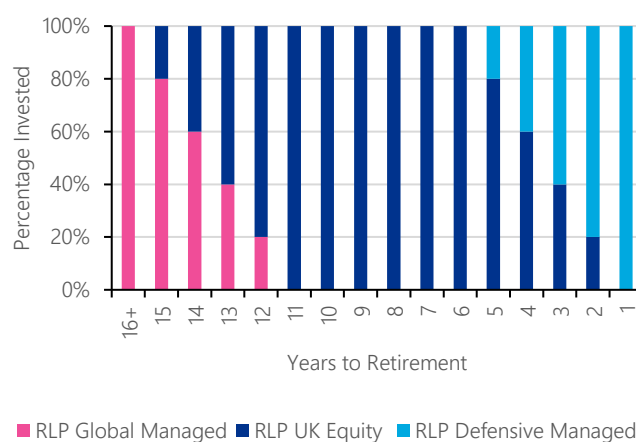
80% RLP Fixed Interest
76% gilts, 12% UK Corporate bonds, 10% International bonds, 2.5% cash

20% RLP Deposit
44% Banks and Financial Services, 32% gilts, 22% cash, 2% Covered.

Opportunity Retirement Investment Strategy:

Lifestyling of strategy towards retirement

Assets are phased towards more conservative funds over time.



Up to 16 years before retirement

100% Global Managed Fund
46% UK Equities, 30% North American Equities, 8% EM equity, 7% Europe (ex UK) equity, 7% Pacific equity

Gradually switching from 16 years to 11 years before retirement into (stays in this fund until 6 years before retirement):

100% RLP UK Equity Fund
100% UK Equity

Gradually switching from 6 years to 1 years before retirement into:

100% RLP Defensive Managed Fund
18% international equity, 16% UK equity, 13% Corporate bonds, 12% Index-Linked bonds, 12% property, 11% gilts, 9% absolute return, 6.6% international bonds, 4% commodities.

Additional Voluntary Contributions

Additional Voluntary Contributions may be paid into some of the funds available for regular contributions.

Appendix III DB Section Fund benchmarks and objectives

Royal London

Crest Secure Fund

A subset of the closed Scottish Life With Profits Fund

Benchmark

The directors of Royal London decide on the level of bonus to declare each year. There are 3 different rates for the fund, Declared, Guaranteed and Interim. An explanation of each of these rates follows:

Declared – This is the rate of growth that is applied at the end of the policy year.

Guaranteed – This is the minimum rate that will apply in the following year's declaration.

Interim – This is the rate used where there is an exit from the fund. Therefore this rate will be applied between the last renewal date and the date of leaving the fund.

The current rates declared as at the 1st January 2020 and applicable for the scheme year 2019/2020 are:

Declared	2.5%
Interim	2.5%
Guaranteed	0.0%

Objective

The aim of the investment strategy is to maximise the long term return on investments for policyholders whilst recognising the need for the fund to meet its guaranteed liabilities.

Royal London with profits fund

Benchmark

N/A

Objective

The aim of the investment strategy is to maximise the long term return on investments for policyholders whilst recognising the need for the fund to meet its guaranteed liabilities.

Closed Scottish Life with profits fund

Benchmark

N/A

Objective

The aim of the investment strategy is to maximise the long term return on investments for with profits plan holders whilst recognising the need for the fund to meet the guarantees provided to plan holders.

Appendix IV

Money Purchase Arrangement Fund

benchmarks and objectives

Royal London

RLP UK Equity fund

Benchmark FTSE All Share Index

Objective To outperform the benchmark.

RLP Managed fund

Benchmark 27.5% FTSE All Share Index, 27.5% FTSE All World (ex UK) Index, 15% ABI UK - UK Direct Property Sector Average, 5% Bloomberg Commodity Index, 2.5% BofA Merrill Lynch Global Non-Financial High Yield Constrained Index, 5% various Markit iBoxx Sterling Non Gilts Indices, 5% various FTSE A (Index Linked) British Government Gilts indices, 5% various FTSE A British Government Gilt indices and 7.5% LIBID GBP 7 Days Index

Objective The fund is designed to maximise "real returns" over a ten year period.

RLP Fixed Interest

Benchmark FTSE A British Govt All Stocks Index

Objective The fund is designed to outperform its benchmark.

RLP Deposit

Benchmark LIBID GBP 7 Day Index

Objective The fund is designed to outperform its benchmark

RLP Defensive Managed

Benchmark 16.25% FTSE All Share Index, 16.25% FTSE All World (ex UK) Index, 12.5% ABI UK - UK Direct Property Sector Average, 5% Bloomberg Commodity Index, 2.5% BofA Merrill Lynch Global Non-Financial High Yield Constrained Index, 11.7% various Markit iBoxx Sterling Non Gilts Indices, 11.7% various FTSE Actuaries Index Linked British Government Gilts indices, 11.6% various FTSE Actuaries British Government Gilt indices and 12.5% LIBID GBP 7 Days Index

Objective The fund is designed to maximise "real returns" over a five year time period.

RLP Global Managed

Benchmark 50% FTSE All Share Index, 50% FTSE All World ex UK Index

Objective To outperform the benchmark.



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