PERCY HEDLEY PENSION SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

DECEMBER 2023

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Percy Hedley Pension Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

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

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their fiduciary manager, Columbia Threadneedle Investments ("CTI"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

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

2 INVESTMENT OBJECTIVES

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

In doing so, the Trustees also aim to maximize returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

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

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

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

- The regular approval of the content of the Statement.
- The appointment and review of the fiduciary manager.
- The setting and review of the investment parameters within which the fiduciary manager can operate, including the approval and review of the return objective and allocation benchmark for the Scheme's assets.
- The assessment and review of the performance of the fiduciary manager and each investment manager appointed by the fiduciary manager.
- The assessment of the risks assumed by the Scheme at the total scheme level and by the fiduciary manager.
- The compliance of the investment arrangements with the principles set out in the Statement.

3.2 FIDUCIARY MANAGER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed CTI as the fiduciary manager to the Scheme. The fiduciary manager acts as the investment advisor and the investment manager. CTI provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which CTI expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Determining appropriate investment managers that are suitable to meet the Trustees' objectives to the extent that the fiduciary mandate does not already permit use of a given investment manager within the terms of the mandate
- Setting cashflow management (investment and withdrawal) policies (see Appendix 3)

Section 3.3 describes the responsibilities of CTI as investment manager to the Scheme.

The Trustees may seek advice from CTI with regard to strategic investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 3). The fiduciary manager takes responsibility for tactical investment decisions within the parameters of the overall strategy as agreed with the fiduciary manager.

The Trustees monitor the performance of the fiduciary manager and the Scheme's investment managers as selected by the fiduciary manager against their benchmarks.

CTI makes a charge based on the value of the assets of the Scheme for the fiduciary manager service it provides. CTI also receive a fee for any of the assets invested within CTI investment funds. Further details on fees and charges are given in Appendix 6.

CTI are authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENTS WITH CTI AS INVESTMENT MANAGER

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, after undertaking a competitive tender process, have appointed CTI as the fiduciary manager to the scheme, acting as both investment advisor and also the overall investment manager.

A duty of CTI acting as fiduciary manager is to select underlying investment funds suitable for the Scheme within the Trustees’ agreed asset allocation.

Investment funds are selected by CTI based on the fund managers’ capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

Furthermore, CTI select the underlying investment funds based upon their knowledge of the Scheme: its understanding of the Scheme’s objectives / goals and any preferences as agreed with the Trustees.

CTI selects a fund based upon forward looking analysis on the likelihood of it achieving its medium to long-term performance objective(s) and recognizes that short-term performance could potentially deviate from this objective.

When selecting funds, CTI considers among other factors the potential risks arising from ESG factors and specific ESG considerations (e.g. low carbon) and how these may potentially impact upon the investment managers ability to achieve its performance objective(s).

In the event that the investment manager changes the fund’s performance objective(s), the appointment will be reviewed to ensure that it remains appropriate.

CTI are likely to only invest in pooled investment vehicles. The Trustees therefore accept that they cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

CTI does not select investment funds with a view to holding these for a pre-specified time. Instead, these are selected with a view to how these fit with and assist the Trustees in meeting their long-term strategic objectives.

CTI retains the right to replace investment funds at its discretion so long as the investment is made in a permitted fund in line with the mandate terms agreed with CTI as the fiduciary manager.

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

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

All of the investment funds that will be selected by CTI will be authorised and regulated by the PRA, the FCA or both.

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

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

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

The Trustees accept that they have limited influence over the charging structure of the pooled funds in which the Scheme is invested but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

CTI makes a fund-based charge for the services it provides. Details of these charges are specified in the contractual agreement between the Trustees and CTI, and Prospectus of underlying funds.

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

The Trustees believe that this is the most appropriate basis for remunerating managers.

Further detail on fees and costs are given in appendix 6.

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

3.4 SUMMARY OF RESPONSIBILITIES

A further summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, so far as they relate to the Scheme's investments, is set out at Appendix 5.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Fiduciary Manager.

The Trustees have established a return object for the assets and a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustee have also established a De-Risking Plan to support the Scheme's Long-Term Objective ("LTO") of being fully funded on a Technical Provisions basis by 31 August 2037.

The De-Risking Plan guidelines are set out in Appendix 2.

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

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 3.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock level.

Strategic Investment Decisions

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

The Trustees take all such decisions themselves. They do so after receiving written advice from their fiduciary manager and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives.
- Determining the split between the growth and the liability matching portfolios.
- Determining the strategic allocation to asset classes within the growth and liability matching portfolios.
- Determining the Scheme benchmark and target liability hedging ratio.
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

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

These decisions are the responsibility of CTI. Where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

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

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes.

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives within the pooled funds is as permitted by the guidelines that apply to those funds.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustees have therefore decided to invest in growth funds which are actively managed and balance exposure between equity and fixed income.

Similarly, the Trustees have invested in pooled UK Property and Absolute Return Bond ("ARB") mandates, where the manager selects and manages allocations across a diversified spectrum of property and fixed income assets respectively.

The Trustees note that the actuarial value of the Scheme's future benefits payments to members is sensitive to changes in long term interest rates and long-term inflation expectations. The Trustees have therefore decided to make an investment in Liability Driven Investment ("LDI") funds which aim to respond in a similar way to changes in these factors and to help reduce the volatility of the Scheme's funding position. This is referred to as hedging.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that may have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

CTI, on behalf of the Trustees, will take ESG considerations into account in the selection, retention and realisation of investments.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

CTI receive regular reporting from the underlying investment managers / funds which includes information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund. If required, CTI will raise any concerns directly with the investment manager.

4.7 STEWARDSHIP

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment manager (CTI) and the funds selected by CTI. In particular, the Trustees will monitor:

- The performance of the investment manager / funds relative to their stated performance objective(s). Whilst performance over all time periods will be considered, the focus will be on the medium to long-term performance of the investment manager / funds. Where performance has failed to meet expectations and/or CTI's views on the future expectations of performance has changed, the underlying investment manager / fund would be replaced with a suitable alternative;
- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustees must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- It is recognised that the level of investment risk will change from one period to the next due to factors out of their control, e.g. general market movements. The level of risk will be monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately;
- As the Scheme invests in pooled funds, the Trustees recognise that its ability to influence the stewardship policies of the underlying investment manager are limited. As such, any changes to the Trustees view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

5 RISK

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

SOLVENCY RISK AND MISMATCHING RISK

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Scheme specific strategic asset allocation with an appropriate level of risk, and by monitoring the development of the funding position on a quarterly basis.

MANAGER RISK

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy
- It is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing CTI to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.
- It is also managed through the diversification of the Scheme's assets across a range of funds with different investment styles.

LIQUIDITY RISK

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

POLITICAL RISK

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

CORPORATE GOVERNANCE RISK

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

SPONSOR RISK

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

LEGISLATIVE RISK

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

CREDIT RISK

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

MARKET RISK

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk and other price risks as described below.

CURRENCY RISK

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

- Within the pooled funds the Scheme invests in, the management of currency risk related to overseas investments is delegated to the underlying investment managers. However, the funds have a Sterling benchmark and by investing in a diversified investment portfolio, the impact of currency risk is mitigated.

INTEREST RATE RISK

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of interest rate risk movement and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk. The Trustees have therefore made an investment into LDI funds to help mitigate this risk.

OTHER PRICE RISK

- This is the risk of volatility that principally arises in relation to the return seeking assets.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG RISK

- This is 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.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the Fiduciary Manager. As a result, part of the rating process of the Fiduciary Manager and decision-making process in relation to the underlying investment managers/funds is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF FIDUCIARY MANAGER AND MANAGERS

6.1 FIDUCIARY MANAGER ACTING AS INVESTMENT ADVISOR

The Trustees will continually assess and review the performance of the advisory services delivered by their fiduciary manager in a qualitative way.

6.2 FIDUCIARY MANAGER ACTING AS INVESTMENT MANAGER

The Trustees receive a quarterly monitoring report from CTI on the performance of the CTI and the underlying investment funds selected by CTI, which presents performance information over 3 months, 1 year, 3 years and Since Inception as applicable. The reports show the absolute performance and the relative performance of underlying funds against the managers' benchmarks (over the relevant period).

The reporting also reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark. This is on a net of fees basis.

CTI, as overall Investment Manager has the role of replacing the underlying investment funds where appropriate. It takes a long-term view when assessing whether to replace the underlying investment funds, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be due to a significant reduction in CTI's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

6.3 PORTFOLIO TURNOVER COSTS

Fees and costs are discussed in Appendix 6.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Scheme provides a facility for members to pay for Additional Voluntary Contributions (“AVCs”) to enhance their benefits at retirement. Members are offered a range of funds in which to invest their AVCs.

All of the Scheme’s AVCs are invested through Standard Life, however there are currently no contributing members.

The Trustees are satisfied that members are offered a sufficiently wide range of options in relation to their AVCs.

8 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees have received training in relation this guidance and are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

The Trustees meet with their Fiduciary Manager on a quarterly basis. This enables developments to be monitored, both in relation to the Scheme's circumstances and in relation to evolving guidance and will enables the Scheme's investment approach to be revised if considered appropriate.

9 COMPLIANCE

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

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

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 14 December 2023.

Approved by the Trustees on 14 December 2023.

Kenneth D Jennings

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The objective of the Schemes assets invested with CTI (the "Portfolio") is to outperform the return of a portfolio of gilts and inflation linked gilts that match the interest rate and inflation sensitivity of the Client's Liability Benchmark (defined below) by +1.9% per annum net of fees, over a rolling 3-year period. This objective and the allocations below may be superseded as per the De-Risking Plan in Appendix 2.

The Portfolio will comprise two sub-portfolios: the Matching Assets Sub-Portfolio and the Growth Assets Sub-Portfolio. The Scheme's strategic asset allocation benchmark is set out below.

Sub-Portfolio	**Columbia Threadneedle Funds / strategies (or other funds as listed in the Investment Guidelines with CTI)**	**Strategic Asset Allocation**	**Market exposure (% of Portfolio inclusive of derivative exposure)**
Matching Assets		40%	
	LDI and Cash	40%	See Hedge Ratio*
	Matching Credit	0%	
Growth Assets		60%	72% (Inclusive of synthetic exposure**)
	CT Universal MAP Fund Range	40%	
	CT Absolute Return Bond Fund	10%	
	CT UK Property Fund	10%	

* Hedge Ratio: To hedge 100% of the funded interest rate and 100% of the inflation risk of the Scheme liabilities on a technical provision valuation basis.

** Synthetic exposure includes any equity or credit exposure contained within the LDI and Cash Sub-Portfolio, whereby some funds in the GBP CTI LDI Fund range permit equity and/or credit exposure

The asset allocation will be monitored by CTI to maintain it within the guideline ranges. CTI will have absolute discretion to alter the allocations to the Sub-Portfolios and underlying Columbia Threadneedle Funds within these ranges. The asset allocation ranges are specified in the table below.

Sub-Portfolio	**Columbia Threadneedle Funds (or other funds as listed in Permitted Assets)**	**Allocation Ranges**	**Market Exposure Ranges**
Matching Assets		25-55%	
	LDI and Cash	25-55%	See Hedge Ratio
	Matching Credit	0-15%	
Growth Assets		45-75%	57-87%
	CT Universal MAP Fund Range	25-55%	
	CT Absolute Return Bond Fund	0-20%	
	CT UK Property Fund	0-20%	

APPENDIX 2: DE-RISKING PLAN GUIDELINES

The Long-Term Objective (LTO) of the Client is for the Percy Hedley Pension Scheme to be fully funded on a Proxy Technical Provisions by 31 August 2037. The Proxy Technical Provisions basis is defined as CTI's best estimate for the Client's technical provisions valuation methodology.

The purpose of the De-Risking Plan is to support the LTO by adjusting the Portfolio Objective, Strategic Asset Allocation and Investment Restrictions as below.

Permissible strategies

The De-Risking Plan includes the investment strategies which, in addition to the initial investment strategy, i.e. Strategy A, are permissible for use by CTI. Each strategy has an Objective, Strategic Asset Allocation and Investment Restrictions. The Scheme's De-Risking Plan guidelines are set out below.

Investment Strategy	Strategy A (initial)	Strategy B	Strategy C	Strategy D
Objectives* p.a.	**Gilts + 1.9%**	**Gilts + 1.5%**	**Gilts + 1.1%**	**Gilts + 0.7%**
Strategic Allocation Sub-Portfolio				
Matching Assets Sub Portfolio Capital Allocation	**40%**	**40%**	**60%**	**90%**
LDI and Cash	40%	40%	40%	40%
Matching Credit	0%	0%	20%	50%
Growth Assets Sub-Portfolio Capital Allocation	**60%**	**60%**	**40%**	**10%**
Growth Assets Sub-Portfolio Market Exposure (% of Portfolio inclusive of derivative exposure)	**72%**	**60%**	**40%**	**10%**
CT Universal MAP Fund Range	40%	40%	20%	0%
CT Absolute Return Bond Fund	10%	10%	10%	5%
CT UK Commercial Property Fund	10%	10%	10%	5%
Hedge Ratio**	100%	100%	100%	100%

*The objective of each investment strategy is to outperform the percentage return of a portfolio of gilts and inflation linked gilts that match the interest rate and inflation sensitivity of the Client's Liability Benchmark (as valued on a Proxy Technical Provisions basis) by the amount specified per annum net of fees, over a rolling 3-year period.

**The Hedge Ratio is expressed as a % of the funding level. The funding level is defined based on the Scheme's liabilities as calculated on a Proxy Technical Provisions basis.

Investment Restrictions: Rebalancing and tactical asset allocation ranges

The Manager shall maintain the allocations to the Matching Assets Sub-Portfolio and the Growth Assets Sub-Portfolio within the ranges set out in the table below. The Manager will have absolute discretion to alter the allocations to the Sub-Portfolios and underlying Columbia Threadneedle Funds within these ranges.

Investment Strategy	Strategy A (initial)	Strategy B	Strategy C	Strategy D
		Ranges		
Matching Assets Sub Portfolio Capital Allocation	**25%-55%**	**25%-55%**	**45%-75%**	**75%-100%**
LDI and Cash	25%-55%	25%-55%	25%-55%	25%-55%
Matching Credit	0%-15%	0%-15%	5%-35%	35%-65%
Growth Assets Sub-Portfolio Capital Allocation	**45%-75%**	**45%-75%**	**25%-55%**	**0%-25%**
Growth Assets Sub-Portfolio Market Exposure (% of Portfolio inclusive of derivative exposure)	**57%-87%**	**45%-75%**	**25%-55%**	**0%-25%**
CT Universal MAP Fund Range	25%-55%	25%-55%	10%-30%	0%-10%
CT Absolute Return Bond Fund	0%-20%	0%-20%	0%-20%	0%-15%
CT UK Commercial Property Fund	0%-20%	0%-20%	0%-20%	0-%15%
Hedge Ratio	90%-110%	90%-110%	90%-110%	90%-110%

Permitted assets by Sub-Portfolio are set out in the Fiduciary Management Agreement (FMA) with CTI.

Triggers

CTI may at its discretion move to an alternate investment strategy if it estimates that based on the current funding level, the LTO can be met assuming the investment return of the associated Strategy Return Trigger (set out in the table below) is achieved.

Investment Strategy	Strategy A (initial)	Strategy B	Strategy C	Strategy D
Objective per annum (net of fees)	**Gilts + 1.9%**	**Gilts + 1.5%**	**Gilts + 1.1%**	**Gilts + 0.7%**
Strategy Return Trigger per annum (net of fees)	**n/a**	**Gilts + 1.0%**	**Gilts + 0.65%**	**Gilts + 0.25%**

Each Strategy Return Trigger is implemented by a set of funding level triggers estimated by CTI in its discretion. CTI estimates the funding levels at which the LTO can be met through a combination of asset returns equal to each Strategy Return Trigger and the expected cashflows into and out of the Scheme as notified to CTI by the Trustees from time to time.

The funding level triggers are one-way de-risking triggers. CTI may only move to lower return investment strategies and not back to higher return strategies.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 3.

APPENDIX 3: CASHFLOW AND REBALANCING POLICY

Rebalancing Policy

The asset allocation will be monitored by the fiduciary manager and a suitable procedure has been put in place for rebalancing.

Any change to the Strategic Allocation or guideline ranges will require a signed revision to the FMA.

Cashflows Policy

The Trustees have put in place a suitable procedure for managing the Scheme's cashflows. Details of this procedure are specified in the FMA with CTI.

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

LDI Recapitalisation

The Trustees note that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds or may release assets from time to time. The process to provide cash and receive cash for the purpose of LDI leverage management is managed by CTI as the fiduciary manager.

APPENDIX 4: INVESTMENT MANAGER INFORMATION

The Scheme invests with CTI, whose key responsibility is to appoint suitable underlying investment managers to each of the mandates within the Trustees' agreed investment strategy as set out in Appendix 1.

CTI will monitor the investment managers. If one of the managers is significantly downgraded by CTI, that manager may be replaced with a suitable alternative manager.

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers, although it will continue to be reviewed on a regular basis.

The Trustees monitor the underlying managers, and will be informed by CTI of any changes to those managers.

APPENDIX 5: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

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

FIDUCIARY MANAGER

The Fiduciary Manager's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles.
- Production of performance monitoring reports.
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested.
  - How any significant changes in the Fiduciary Managers' organisation could affect the interests of the Scheme.
  - How any changes in the investment environment could present either opportunities or problems for the Scheme.
  - Undertaking other ad hoc project work as required.

INVESTMENT MANAGER

As noted in this SIP, CTI has been appointed as the overall Investment Manager and will appoint underlying investment managers on behalf of the Trustees.

CTI's responsibilities include the following:

- Selection of underlying investment funds.
- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets.
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments.
- Giving effect to the principles contained in the Statement as far as is reasonably practicable.

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

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

ADMINISTRATOR

The Administrator's responsibilities include the following:

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

APPENDIX 6: FEES AND COSTS

The Trustees recognise that the provision of investment management, dealing and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustees have agreed Terms of Business with the Scheme's Fiduciary Manager, under which charges may be calculated as percentage of assets managed by the Fiduciary Manager.

The fee structure used by the Fiduciary Manager is selected with regard to existing custom and practice. However, the Trustees will consider revising the fee structure and mandate terms with the Fiduciary Manager if and when it is considered appropriate to do so.

The Trustees periodically review the overall value-for-money of the Fiduciary Manager, and information in relation to fees and other investment costs (including transaction costs associated with turnover) is provided by the Fiduciary Manager to the Trustees annually.

The Trustees do not have a target portfolio turnover range but instead reviews costs in conjunction with net of fees performance figures for the Scheme and the Fiduciary Manager is encouraged to take a long-term approach to investing in order to align with the Trustees' investment beliefs and investment policy. The Fiduciary Manager is encouraged to consider turnover and other costs when selecting and monitoring funds for the Scheme, including any deviations from expected ranges for the mandates.

The Fiduciary Manager reports on investment performance net of fees and other costs.

The Trustees are satisfied that these arrangements incentivise the Fiduciary Manager to align its investment strategy and decisions with the Trustees' investment policies.

The investment funds appointed by the Fiduciary Manager receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The Trustees review overall fees, inclusive of sub fund fees, periodically to ensure pricing is in line with expectations.

The Fiduciary Manager reviews the fees of funds in the strategy, including whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.