THE TWEFS RETIREMENT BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the TWEFS Retirement Benefits 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 investment consultants, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments;
- Completed, via their investment consultant Mercer, satisfactory due diligence with regard to the Investment Manager, JLT Investment Management ("JLT IM"); 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

2.1 DEFINED BENEFIT (DB) SECTION

The Trustees' primary investment objective for the Scheme is to ensure the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise. In addition, the Trustees also consider the following as investment objectives:

- To return the Scheme funding level to 100% of the projected past service liabilities and then to maintain this funding level;
- To maximise investment returns subject to an acceptable level of risk, and by doing so, to minimise the level of contributions required of the employer; and
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

The Trustees believe that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

2.2 DEFINED CONTRIBUTION (DC) SECTION

The Trustees' objectives are to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes.

The Trustees understand that the Scheme is not required to provide a default investment strategy as it was not set up for auto-enrolment purposes. The Scheme requires members to self-select their own investments and the Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Section 4. The Trustees have determined their investment policy in such a way as to address the risks set out in Section 7 of this Statement.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

The items set out in this Statement are in relation to what the Trustees deem as "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 members' age and when they expect to retire.

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 Investment Manager and Investment Adviser
- The assessment and review of the performance of each underlying investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the Investment Adviser to the Scheme. Mercer 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 Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation, including self-select fund options for DC members
- Determining an appropriate investment structure
- Liaising with JLT Investment Management ("JLT IM") to determine funds and investment managers that are suitable to meet the Trustees' objectives (DB assets only)
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

Section 3.3 describes the responsibilities of JLT IM as the Investment Manager to the Scheme.

The Trustees may seek advice from Mercer with regard to both strategic and tactical 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 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

In considering appropriate investments for the Scheme, the Trustees will obtain and consider written advice from Mercer, whom the Trustees believe to be suitability 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.

Mercer monitors the performance of the Scheme's underlying investment managers against their benchmarks.

Mercer makes a fund based charge for the services it provides as set out in its investment agreement with the Trustees.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

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

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

JLT is authorised and regulated by the Financial Conduct Authority (“FCA”).

3.3. ARRANGEMENT WITH INVESTMENT MANAGER

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

After considering appropriate investment advice, the Trustee appointed JLT IM as Investment Manager to the Scheme. JLT IM was first appointed in June 2017.

The key duty of JLT IM is to select the underlying investment managers suitable to each mandate within the Trustees’ agreed asset allocation.

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

JLT IM will 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.

The Trustees, after considering appropriate investment advice, have appointed UBS Life as the Investment Manager to the DC section of the Scheme. All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis. A manager’s appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

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

The details of the underlying investment managers appointed by JLT IM and UBS Life are set out in Appendix 3, together with the details of each manager’s mandate. In particular, the underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage. In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

Both UBS Life and all of the underlying investment managers that will be sub-contracted by JLT IM will be authorised and regulated by the Prudential Regulation Authority (“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 JLT IM 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.

As part of their DC governance duties, the Trustees review the investment manager fees.

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

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

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

JLT IM is authorised and regulated by the FCA.

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

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

3.4. SUMMARY OF RESPONSIBILITIES

A 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 4.

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY: DB SECTION

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 Investment Adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as Diversified Growth Funds/Multi Asset Funds, and a "stabilising" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The growth-stabilising allocation is set with regard to the overall required return objective of the Scheme's assets, which is determined by the funding objective and current funding level. In addition, the Scheme's requirement for liquidity will also be considered when setting the strategic asset allocation. Thus, the Trustees regard the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile. The initial allocations are set out in Appendix 1.

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

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 2.

4.2. SETTING INVESTMENT STRATEGY: DC SECTION

The Trustees are not required to establish a default investment strategy for the Scheme as the Scheme was not set up for auto-enrolment purposes. Instead, the Trustees offer a range of self-select options from which members may choose to invest their assets. The range of investment options covers a number of asset classes and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

The balance between funds and asset classes is the member's decision; this balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustees have made the following 4 funds available for members to select from:

- UBS Life World (ex-UK) Equity Tracker Fund
- UBS Life UK Equity Tracker Fund
- UBS Life Over 15 Years Gilt Index Fund
- UBS Life UK Fixed Interest Tracker Fund

Further details for these funds are set out in Appendix 3.

Though the Scheme does not operate with a default investment strategy, the Trustees have identified two of the above funds (the UBS Life World (ex-UK) Equity Tracker Fund and the UBS Life UK Equity Tracker Fund) as "technical defaults" following the closure of the UBS Life Global Equity Index Tracker Fund. Further information on this arrangement can be found in Section 5.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

4.3. 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 Investment Adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

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

Tactical Investment Decisions

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

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

Stock Selection Decisions

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

4.4. TYPES OF INVESTMENTS TO BE HELD

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

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability Driven Investment ("LDI") products
- Cash

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

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.

5 TECHNICAL DEFAULT

In accordance with Section 4 – Restrictions on Charges of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 No. 879, the Fund has identified two of the Scheme's funds, the UBS Life Global (ex-UK) Equity Tracker Fund and the UBS Life UK Equity Tracker Fund, as “technical default” arrangements (as defined by these regulations).

The Scheme previously held investments in the UBS Life Global Equity Index Tracker Fund. However, in 2017 UBS closed this fund. Members' investments in this fund were subsequently split between the UBS Life World (ex-UK) Equity Tracker Fund (40%) and the UBS Life UK Equity Tracker Fund (60%).

These funds have therefore been identified as “technical defaults” as members' assets have been automatically directed to these funds without members having instructed the Trustees where their assets are to be invested. We believe the funds qualify as “default arrangements” because at least one member of the Scheme had been invested in the UBS Life Global Equity Index Tracker Fund for more than 5 years at the time of closure and did not specify where their assets should otherwise be invested.

The UBS Life World (ex-UK) Equity Tracker Fund invests in a range of international equities from developed markets and aims to track the performance of the FTSE Developed ex-UK Index.

The UBS Life UK Equity Tracker Fund invests solely in UK-based equities and aims to track the performance of the FTSE All-Share Index.

Both these funds are therefore aiming to provide capital growth to members' savings and offer a greater level of risk exposure compared to other funds available to members.

The performance of these funds are monitored at least every three months, with a strategic review being carried out at least triennially since falling under the categorisation of a ‘default arrangement’.

6 RESPONSIBLE INVESTING

6.1 FINANCIALLY MATERIAL CONSIDERATIONS

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

However, the Trustees understand that they must aim to consider all factors that have the ability to impact the financial performance of the Scheme's investments over an 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.

The Trustees believe that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis may lead to underestimating the level of overall risk being taken.

However, the Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. In the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

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 manager.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

6.2 NON-FINANCIAL CONSIDERATIONS

The Trustee's objective is that the financial interests of the Scheme members are its first priority when choosing investments.

It has decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy.

However, the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and, where appropriate, strive to provide a fund range that meets both financial and non-financially relevant member needs.

6.3 STEWARDSHIP POLICY

The Scheme is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

The Trustee notes that the investment managers’ corporate governance policies are available on request and on their respective websites.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme’s underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme’s membership.

6.4 MEMBER VIEWS

The Trustees do not explicitly take account of member views when selecting investments for the Scheme. However, the Trustees are committed to reviewing this policy on an ongoing basis.

7 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Scheme's investments, including those set out below. 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.

The Trustees recognise that in a defined contribution money purchase arrangement, members assume the investment risks themselves and members are exposed to different types of risk at different stages of their working lifetimes.

Broadly speaking, the main types of investment risk can be identified are as follows:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Risks affecting the DB and DC sections of the Scheme			
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	**DB:** The Trustees acknowledge that these risks are mostly delegated to the investment managers. The Trustees will ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes and will ensure assets are invested in a diverse portfolio across various markets. **DC:** The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocation, in line with their risk tolerances. .
	Currency Risk	This is the risk that occurs when the price of one currency moves relative to another (reference) currency. The Scheme 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.	
	Credit Risk	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.	
	Other Price Risk	This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.	

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. Changes to Interest Rates will affect the market price of annuities, which therefore affects the amount of guaranteed pension that members of the DC section will be able to purchase with their savings at retirement.	**DB:** The Trustees acknowledge that interest rate risk related to individual debt instruments, and particularly liability driven investment (LDI) instruments, is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved. **DC:** Members have the option to invest in gilt fund which broadly tracks the prices of annuities as members approach retirement, thereby protecting members from large changes to interest rates.
Environmental and social and governance ("ESG") risks	This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets. These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.	Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager. Please see Section 6 for the Trustees' responsible investment statement.

Manager risk	This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by JLT, and, for the DB section, by appointing JLT IM to monitor and replace any managers (having received written authorisation from the Trustees) where concerns exist over their continued ability to deliver the investment mandate.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.
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.

DB-specific risks		
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.
Solvency Risk	The risk that the Scheme will be unable to meet its liabilities in the long-run.	Measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a Scheme-specific strategic asset allocation with an appropriate level of risk.

DC-specific risks		
Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	Members may target different retirement outcomes by selecting different self-select fund options. For example, the Over 15 Years Gilts Index Fund can be used to target annuity-purchase in retirement.

Whilst the Trustees identify and manage a large proportion of the risks faced by the Scheme, it is not possible to completely eradicate a number of the above risks. The Scheme is closed to new members and future accrual and contributions, and when implementing the current investment strategy the Trustees have taken into consideration the future de-risking process to minimise the risks overtime.

The Trustees intend to increase the DB section's allocation to 'safe' assets overtime, thereby reducing the overall funding level volatility as the Scheme reaches its target funding date.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees' or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

8 MONITORING OF INVESTMENT ADVISER AND MANAGERS

8.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their Investment Adviser in a qualitative way.

8.2 INVESTMENT MANAGERS

The Trustees receive bi-annual monitoring reports on the performance of the underlying investment managers from Mercer on a semi-annual basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The reporting also reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark.

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

Changes will be made to the underlying managers however if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

The Trustees also monitor the stewardship track record of the Scheme's underlying investment managers on an annual basis and will take action if this is found inconsistent with appropriate long-term return generation.

8.3 PORTFOLIO TURNOVER COSTS

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

For the Scheme's DB section, the Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs.

For the DC section, the Trustees consider portfolio turnover costs as part of the annual Chairman's Statement.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

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

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested and will include further information about this when next updating the SIP.

9 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

DB SECTION

Previously, the Scheme provided a facility for members who paid Additional Voluntary Contributions (“AVCs”) to enhance their benefits at retirement. Members were offered a range of funds in which to invest their AVCs with Standard Life and the Utmost Life and Pensions.

The Trustees are of the opinion that the type and range of facilities described above were suitable to provide for the requirements of Scheme members in any of the circumstances likely to arise.

The AVC facility is now closed to future accrual.

10 CODE OF BEST PRACTICE

10.1 DEFINED BENEFIT SECTION

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 investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

10.2 DEFINED CONTRIBUTION SECTION

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

11 COMPLIANCE

The Scheme's Statement of Investment Principles is available to members online.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, 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 adopted by the Trustees on 23rd September 2020.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's initial strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**60.0**	**+/-**
Diversified Growth	60.0	10.0
Matching Assets	**40.0**	**+/-**
Corporate Bonds	20.0	5.0
Real LDI	12.0	6.0
Nominal LDI	8.0	4.0
Total Assets	**100.0**	

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

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

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

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

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

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Scheme’s central benchmark asset allocation, as set out in Appendix 1. The allocation to Real LDI and Nominal LDI should be exempted wherever possible, as both provide strategic stability to the Scheme’s liabilities.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme’s cashflow requirements.

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

APPENDIX 3: INVESTMENT MANAGER INFORMATION

DEFINED BENEFIT MANAGER DETAILS

The assets from the DB section of the Scheme are invested with JLT IM, whose key responsibility it to appoint suitable investment managers to each of the mandates within the Trustees' agreed investment strategy as set out in Appendix 1. The table below show the details of the mandate(s) with each manager.

Manager / Fund	Benchmark	Objective	Dealing Frequency
Growth Assets			
Threadneedle Multi Asset Fund	UK BoE Base Rate	To outperform the benchmark MSCI Emerging Markets Index by 2.3% to 4.3% p.a. (net of fees) over 3-year rolling period.	Daily
Matching Assets			
Insight UK Corporate All maturities	iBoxx Sterling Non-Gilt All Maturities Index	Objective is to outperform the iboxx	Daily
BMO Nominal Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time	Daily
BMO Real Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time	Daily

DEFINED CONTRIBUTION MANAGER DETAILS

The assets from the DC section of the Scheme are invested in pooled funds managed by UBS Life. The following funds are available for members to select from:

Investment Vehicle	Benchmark	Total Expense Ratio (TER)
UBS Life Global (ex-UK) Equity Tracker Fund	FTSE Developed ex UK (net GB official)	0.25%
UBS Life UK Equity Tracker Fund	FTSE All-Share (gross)	0.25%
UBS Life Over 15 Years Gilts Index Fund	FTSE Actuaries Government Securities Over 15 Year Index	0.25%
UBS Life UK Fixed Interest Tracker Fund	FTSE Actuaries Government Securities All Stocks Gilt Index	0.25%
UBS Life Cash Fund	1 month UK T-bill	0.25%

Market-Switching Risk has not currently been addressed and no ‘Lifestyle’ or phased transition strategies have been implemented. There are only a few members in the defined contribution section of the Scheme. The section was originally intended to receive contributions on earnings in excess of the earnings cap for members of the defined benefit section and was made available to certain members who were close to retirement when the defined benefit section closed to future accrual in February 2011. The Trustees do not therefore consider a lifestyle strategy to be appropriate for the defined contribution section. Further details on each fund are set out below:

UBS Life World (ex-UK) Equity Tracker Fund

A global equity fund offers some diversification, with a portfolio invested in European (ex UK); North American; Japan; Pacific and Emerging Markets equities.

This diversification of equities helps spread the risk among different markets and is aimed towards investors who have a long-term investing strategy.

UBS Life UK Equity Tracker Fund

A UK equity fund will invest solely in UK equities.

The diversification benefits of this fund are seen at a portfolio level i.e. the fund invests in a single market (UK), but provides diversification to the portfolio as a whole.

UBS Life Over 15 Years Gilts Index Fund

This fund invests in medium to long-dated UK Conventional Gilts, the instruments used by insurance companies when pricing annuities. This type of fund protects members against annuity-rate risk.

UBS Life UK Fixed Interest Tracker Fund

This fund invests in UK Conventional Gilts of all maturities. This fund is relatively low risk and therefore provides diversification from the higher-risk equity funds.

UBS Life Cash Fund

This fund invests only in short-term deposits, which are not subject to volatility in capital-value terms. This type of fund helps to protect members against lump-sum risk.

Active vs Passive

After assessing, the potentially enhanced return from active management in relation to the additional risks assumed; the costs involved in employing an active investment manager; the Trustees have decided to adopt a passive policy to implement the above strategy. To this end, they have appointed a leading index manager to manage the assets of the defined contribution section of the Scheme.

APPENDIX 4: 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 Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the 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 Investment 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 project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

As noted in this Statement, JLT IM has been appointed as Investment Manager to the DB section assets and will sub-contract with underlying investment managers on behalf of the Trustees. The DC section assets are managed by UBS Life.

The responsibilities of JLT IM and UBS Life include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the 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

The underlying investment managers contract with JLT IM and therefore do not have any direct responsibility to the Trustees.

SCHEME ACTUARY

The Scheme Actuary’s responsibilities include the following:

- Liaising with the Investment Adviser 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.