

SCHINDLER GROUP (UK) 1988  
PENSION SCHEME  
STATEMENT OF INVESTMENT  
PRINCIPLES

SEPTEMBER 2020

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# 1 INTRODUCTION

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This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Schindler Group (UK) 1988 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 investment consultants, Mercer Limited ("Mercer"), 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

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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 maximise 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

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## 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 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
- 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
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

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.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

Mercer makes a fund based charge. This charge covers the services of both JLT IM and Mercer as specified within the Investment Management Agreement and the Implemented Investment Consultancy Services Agreement.

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.

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

### 3.3. ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustees, after considering appropriate investment advice, have appointed JLT IM as investment manager to the Scheme in respect of the majority of the Scheme's assets. The Scheme also has a direct holding in Permira's Private Credit Solutions IV Fund.

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

The Trustees are long term investors and do not look to change investment arrangements on a frequent basis. Apart from the Permira investment, all the funds are open-ended with no set end date for the arrangement. The investment strategy is 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 investment strategy. JLT IM was first appointed in July 2017.

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.

The Trustees consider its investment adviser's forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme invests in.

The Trustees consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees also consider the investment adviser's manager research ratings when taking decisions on selection and retention of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

JLT IM will only invest in pooled investment. The Trustees therefore accept that they cannot specify the risk profile and return targets of the underlying investment managers, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

JLT IM will therefore contract with and appoint underlying investment managers to manage the Scheme's assets on behalf of the Trustees.

JLT IM will also manage the asset allocation to ensure it is in line with the allocation defined in the IMA, and its tolerances, which will be dependent on the required rate of return.

JLT IM will monitor the underlying investment managers to ensure their continuing appropriateness to the mandates given. If a manager is downgraded by Mercer's Manager Research Team, JLT IM will replace that manager with a suitable, higher rated alternative.

The details of investment managers initially appointed by JLT IM 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.

All of the 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. Additionally, Permira has performance related fees with a hurdle structure in place to avoid the Trustees paying additional fees during periods of long-term underperformance. None of the other 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 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.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees' policies as set out in this SIP.

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

### 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

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## 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 investment adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising of three Diversified Growth Funds ("DGFs") and private credit, and a "stabilising" portfolio which invests in Liability Driven Investments ("LDI").

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

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 delegated cashflow decisions to JLT IM. This approach is set out in Appendix 2.

## 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 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.

### 4.3. 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 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.

### 4.4. FINANCIALLY MATERIAL CONSIDERATIONS

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 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.

Whilst certain investment decisions have been delegated to JLT IM as the investment manager, the Trustees recognise that their views on the financial materiality of environmental, social, and corporate governance factors on risk and return are retained as a Trustee decision. If the Trustees wish to adopt a specific approach to incorporating these factors in the future then a conversation with JLT IM will be required in order to ensure effective implementation.

The Trustees consider how ESG, climate change and stewardship are integrated within JLT IM's investment processes and those of the underlying managers on a periodic basis.

## 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, will be left to the discretion of the investment manager in accordance with their stated policies. The views of the Scheme's membership will not be sought.

## 4.6. CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the Scheme's investment managers. The Trustees expect the investment managers to use their discretion to act in the long-term financial interests of investors and exercise these rights in accordance with their respective published corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees note that the investment managers' corporate governance policies are available on request and on their respective websites. The Trustees can review these policies and challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Scheme.

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.

## 4.7. STEWARDSHIP

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. In particular, the Trustees will monitor:

- The performance of the investment manager / fund relative to its 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 / fund. Where performance has failed to meet expectations and/or the Mercer Manager Research Team'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;
- The Trustees recognise that the level of investment risk may change from one period to the next due to factors out with 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;
- The ESG and Stewardship policies of the underlying investment manager will be reviewed on a regular basis. As the Scheme invests in pooled funds, the Trustees recognise that its ability to influence the stewardship policies of the underlying investment manager is 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

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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.

## **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, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

## **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.

## **Environmental**

- This risk that improper, or inadequate, consideration of environmental factors could lead to adverse investment performance and / or reputational damage to the Scheme.
- The day to day management of environmental risk is the responsibility of the companies in which the Scheme's underlying managers have invested. Given the Trustees are invested in pooled funds the Trustees will rely on the investment managers to ensure that these companies have sufficient procedures and processes in place in order to mitigate this risk as far as is reasonably possible.

## **Social**

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and external to a company, e.g. internal factors could include workplace health & safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day to day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the investment manager to ensure that these companies have sufficient procedures and processes in place in order to mitigate these risks as far as is reasonably possible.

## Corporate Governance

- 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 provided to the Trustees from time to time 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 one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

## 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 comprises of the following three types of risk:

### 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, 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.
- For currency hedged funds, the Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.
- For funds where the currency risk is separately managed by the manager, the Trustees acknowledge that currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge.

### 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 acknowledge that the interest rate risk related to individual debt instruments.

### 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.

- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

# 6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

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## 6.1. INVESTMENT ADVISER

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

## 6.2. INVESTMENT MANAGERS

The Trustees receive semi-annual monitoring reports on the performance of the underlying investment managers from Mercer, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against each fund's benchmark and its 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.

JLT IM, as investment manager has the role of replacing the underlying investment managers where appropriate. The decision to retain the Permira investment remains with the Trustees. JLT IM and the Trustees take 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 the Mercer 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 if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

## 6.3. PORTFOLIO TURNOVER COSTS

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

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although they note that the performance monitoring received is net of all charges, including such costs.

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.

However, the Trustees recognises that portfolio turnover and associated transaction costs are a necessary part of portfolio management and therefore expect Mercer to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

# 7 CODE OF BEST PRACTICE

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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 to this guidance and is 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.


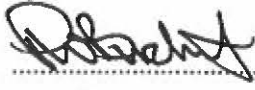
# 8 COMPLIANCE

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

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 approved by the Trustees on .....

Signed on behalf of the Trustees by		
On	29/9/2020	30/3/20
Full Name	Tobias Bissig	Paul Burchett
Position	CFO	Trustee



# APPENDIX 1: ASSET ALLOCATION BENCHMARK

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

Asset Class	Strategic Allocation	Guideline Range (+/-)
<b>Growth Assets</b>		
Diversified Growth	60.0%	12.5%
Private Credit <sup>1</sup>	15.0%	15.0%
<b>Stabilising Assets</b>		
Nominal Liability Driven Investment (LDI) <sup>2</sup>	12.5%	7.5%
Real Equity-Linked LDI <sup>2</sup>	12.5%	7.5%
<b>Total</b>	<b>100.0%</b>	

Note 1 – the Private Credit allocation has yet to be fully funded and is partly invested in a Multi-Asset Credit fund.

Note 2 – The LDI funds are being used as a stabilising asset to target an interest rate hedge ratio of around 55% and an inflation rate hedge ratio of around 53% of the total liabilities. It will not be regularly rebalanced as this would affect the underlying hedge of liabilities.

The asset allocation will be monitored by JLT IM so as to maintain it within the guideline ranges, with the exception of the private credit assets which will be held directly with the underlying manager.

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

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## CASHFLOWS

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 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.

## REBALANCING

The Investment Manager is not required to rebalance to the central allocation but will instead operate within the ranges set out in Appendix 1.

Should the asset allocation for the assets, other than the private credit allocation, fall outside these ranges the Investment Manager, as soon as practical, inform the Client and their investment adviser in writing and await further instructions from the Client.

# APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme invests 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 tables below show the details of the mandate(s) with each manager.

## GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
<b>Nordea</b> Diversified Return	3 month GBP LIBOR	To achieve returns above the benchmark +3.3% p.a. net of fees, over rolling 3 year periods	Daily	(b) / 2
<b>Pictet</b> Multi Asset Portfolio	3 Month GBP LIBOR	To outperform the benchmark by 4% p.a. gross of fees over rolling three to five year periods	Daily	(b) / 2
<b>Columbia Threadneedle</b> Multi-Asset	Bank of England Base Rate	To outperform the benchmark by 4.0% p.a. gross of fees over an economic cycle (expected to be 5-7 years)	Daily	(b) / 2
<b>Payden &amp; Rygel<sup>1</sup></b> Absolute Return Bond	UK 1 month LIBOR	To outperform the benchmark by 3.0% p.a. gross of fees over rolling 3 year periods	Daily	(b) / 2
<b>Permira</b> Private Credit Solutions IV	N/A	6–8 % IRR	Closed-ended fund with minimum investment term of 8 years.	(c) / 3

## STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
<b>BMO</b> Nominal Dynamic LDI	The liability profile of a typical UK DB pension scheme	To provide liability hedging by offering interest rate protection which replicates the liability profile of a typical UK defined benefit pension scheme.	Daily/Weekly <sup>2</sup>	(b) / 2
<b>BMO</b> Equity-Linked Real Dynamic LDI	The liability profile of a typical UK DB pension scheme plus a synthetic equity benchmark constructed using a range of equity indices in fixed proportions.	To provide exposure to global equities via the Synthetic Equity Portfolio and hedge against changes in interest rates and inflation expectations via the Liability Portfolio.	Daily/Weekly <sup>2</sup>	(b) / 2

1. This fund is being held temporarily for the monies due to be invested in the Permira Private Credit Solutions IV Fund.
2. There is a fixed trade date each week, dealing on other dates is possible but additional costs would be incurred.

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited. Note the private credit allocation will be held directly with the underlying manager.

JLT IM will monitor the investment managers held on the investment platform. If one of the managers is downgraded by Mercer's Manager Research Team, that manager will automatically be replaced by JLT IM with a higher rated 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.

# APPENDIX 4: RESPONSIBILITIES OF PARTIES

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## 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 SIP, JLT IM has been appointed as Investment Manager and will sub-contract with underlying investment managers on behalf of the Trustees, other than for the private credit allocation.

JLT IM's responsibilities 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.