

DEESIDE CEREALS PENSION SCHEME STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by Deeside Cereals I DB Pension Ltd as Trustee of the Deeside Cereals 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 Trustee to ensure the effective implementation of these principles. It replaces the Statement dated September 2019.

In preparing the Statement, the Trustee has:

- 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; 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 Trustee’s investment policy for the Scheme.

The Trustee 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 Trustee 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 Trustee's 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 Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee has also received confirmation from the Scheme Actuary during the process of revising the investment strategy that the 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 TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustee carries out its duties and fulfils its responsibilities as a single body. The Trustee has considered establishing an investment sub-committee but has decided not to do so, as all the Trustee Directors wish to contribute directly to the formulation of the Scheme's investment policy and to the monitoring of the Scheme's investment managers. Moreover, the Trustee body is not so large as to be unwieldy in its operations.

Sub-committees, of 2 or more Trustee Directors, may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustee 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 Manager can operate
- The assessment of the risks assumed by the Scheme at a total Scheme level as well as on a manager by manager basis
- The approval and review of the asset allocation benchmark for the Scheme and de-risking framework
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which Mercer expects to provide advice, or assistance, to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy, asset allocation and de-risking framework
- Determining an appropriate investment structure
- Liaising with JLT Investment Management (JLT IM) to determine funds and investment managers that are suitable to meet the Trustee's objectives for the Scheme
- Monitoring the underlying investment managers to ensure their continuing appropriateness to the mandates given
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

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

The Trustee may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, the Trustee recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 2). Mercer may be proactive in advising the Trustee regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

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

Mercer will also advise the Trustee of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives.

A fund based charge is made for the services provided by JLT IM and Mercer as specified within their respective agreements.

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 its advice, and as noted below, any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Scheme.

The Trustee is 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 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustee is a long term investor and does not look to change the investment arrangements on a frequent basis.

The Trustee has appointed JLT IM as Investment Manager to the Scheme. JLT IM was first appointed in March 2015.

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

Investment managers are selected 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 Trustee therefore 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.

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

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 Financial Conduct Authority ("FCA") and the PRA.

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.

JLT IM is authorised and regulated by the FCA.

All of the investment managers that will be selected by JLT IM 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 JLT IM with the underlying managers on their standard charges and the Scheme benefits directly from these discounts.

Neither JLT IM or any 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 Trustee therefore considers 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 Trustee cannot influence 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 the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

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.

The Trustee believes 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 administrators, so far as they relate to the Scheme's investments, is set out in Appendix 5.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustee has determined its investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, its 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 Trustee has also received written advice from its Investment Adviser.

Taking all these factors into consideration, the Trustee has determined that the benchmark asset allocation as set out in Appendix 1 is suitable for the Scheme.

In making this decision, the Trustee has been satisfied that this is consistent with its investment objectives and is supported by both the Sponsoring Employer, and the Sponsoring Employer's covenant.

In respect of the investment of contributions, any disinvestments to meet member benefit payments and rebalancing of assets, the Trustee has decided on a structured approach in accordance with its overall strategy. This approach is set out in Appendix 2.

4.2 INVESTMENT DECISIONS

The Trustee distinguishes 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 Trustee takes all such decisions. It does so after receiving written advice from its 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 Trustee. 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 Trustee is 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 Trustee recognises 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 Trustee has therefore decided to invest in Diversified Growth Funds (DGFs), which are actively managed multi-asset funds and invest across a wide range of assets and investment contracts in order to implement the manager's market views.

The Trustee notes 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 Trustee has decided to invest in Liability Driven Investment ("LDI") funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Scheme's funding position. This is referred to as hedging.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee considers many risks which they anticipate could impact the financial performance of the Scheme's investments over the Scheme's expected lifetime. Such risks are set out in the next section of this Statement.

The Trustee recognises that environmental, social and corporate governance ("ESG") factors, such as climate change, can influence the investment risk and return outcomes 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 Trustee further recognises that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

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

The Trustee notes 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. However, 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.

The Trustee also receives ESG scores provided by the Investment Consultant in relation to the funds in which the Scheme is invested and will monitor how these develop over time.

The Trustee has built an ongoing review of ESG considerations into the annual business plan to make sure that the policy evolves in line with emerging trends and developments.

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

4.5 NON - FINANCIAL MATTERS

The Trustee has determined that the financial interests of the Scheme members are the 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 for the Scheme.

4.6 STEWARDSHIP

The Scheme is invested solely in pooled investment funds. The Trustee's 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.

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

5 RISK

Under the Pensions Act 2004, the Trustee is required to state its 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 JLT IM 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 Trustee 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 Trustee by senior staff of the sponsor.
- It is also managed by seeking to reduce the level of risk within the Scheme over time, to reduce the reliance on the covenant of the employer.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges 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 and by investing in LDI funds with sound collateralisation and risk management procedures.
- The Trustee has appointed JLT IM as Investment Manager and the assets are invested via the Mobius Life Investment Platform. Mercer, JLT IM and Mobius carry out their own due diligence checks before a new pooled fund is invested in, and on an ongoing basis monitor any changes to the regulatory and operating environments of the underlying pooled investment managers.

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 risk 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.
- Currency risk arises in the overseas portion of the Scheme's investment in the pooled equity fund and has been mitigated by investing a large portion of the growth assets in DGFs.

- Within the DGFs, the management of currency risk related to overseas investments is delegated to the underlying investment managers. However, the DGFs have a Sterling benchmark and by investing in a diversified investment portfolio, the impact of currency risk is mitigated.
- The Scheme also invests in an equity linked LDI fund. This fund gains its exposure to equities through equity futures, and these effectively give the investor currency hedged returns on the overseas element of the equity exposure.

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 Trustee recognises 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 and the Trustee has invested in LDI Funds to manage this risk.

Other Price Risk

- This is the risk of volatility that principally arises in relation to the return seeking assets.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and has therefore invested a large portion of the Scheme's return seeking assets in DGFs in order to achieve a diversified exposure to different investment markets and manage this risk.

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 Trustee manages this risk by investing in well-respected investment managers where ESG principles are an established part of the investment decision making process and by regularly reviewing the ESG scoring of the investment consultant's scoring of the Scheme's managers.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustee continually assesses and reviews the performance of the adviser in a qualitative way. In doing so, the Trustee will consider the objectives it set for its Investment Adviser in October 2019.

6.2 INVESTMENT MANAGERS

The Trustee receives monitoring reports on the performance of the underlying investment managers from Mercer on a quarterly basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance of 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 and also of the development of the Scheme's assets relative to its liabilities.

It also enables the Trustee to review that JLT IM is performing the functions delegated to it in line with expectations.

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.

6.3 PORTFOLIO TURNOVER COSTS

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

The Trustee is 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 Trustee does not have an overall portfolio turnover target for the Scheme.

The Trustee is 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.

7 MONEY PURCHASE BENEFITS

The Scheme currently has a very small number of members who have historic money purchase benefits, as well as Additional Voluntary Contribution (AVC) arrangements for members who historically paid AVCs to the Scheme.

The historic money purchase benefits are invested with Utmost Life.

The Scheme's AVC arrangements are with the following providers:

- Utmost Life and Pensions
- Legal & General Assurance Society Limited

There are no actively contributing members.

The Legal & General AVCs make available a wide range of funds in which members can invest.

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

Some historic AVCs were also paid to Equitable Life, and also there were a small number of members who have historic money purchase benefits as a result of individual transfers to Equitable Life.

On 1 January 2020, following High Court approval and a policyholder vote, the business of Equitable Life was transferred to Utmost Life and Pensions. AVCs and money purchase benefits that were previously held in the Equitable Life With Profits Fund were transferred initially to the Utmost Secure Cash Fund.

Over the second half of 2020, the Utmost Secure Cash Fund holding is being closed down by Utmost. The Trustee decided, that members' investments should be transitioned to the Utmost Money Market Fund, unless members chose to make an investment choice of their own. Members are able to select from any of the funds available through Utmost.

Because the Trustee, after receiving investment advice, chose to invest members' former With Profits AVCs in the Utmost Secure Cash Fund and subsequently the Utmost Money Market Fund in the event that members do not make their own investment choice, these funds are classed as a 'Default' fund. The regulations therefore require that the Statement of Investment Principles details the Trustee's approach to investing for these Additional Default Funds. This is set out in Appendix 4.

8 CODE OF BEST PRACTICE

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

The Trustee receives investment advice which ensures that the principles contained within this guidance are applied to the Scheme as far as it is relevant to the Scheme's circumstances.

The Trustee meets with the 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.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request. The Statement is also published on the Deeside Cereals website.

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

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others.

Approved by the Trustee on 11 September 2020.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Plan's asset allocation benchmark is set out below.

Asset Class	Central Allocation (%)	Operating Range (+/- %)
Multi-Asset ¹	55.0	10.0
Equity-Linked LDI - Real	10.0	5.0
Stabilising - Low Duration ²	16.0	8.0
Liability Driven Investments (Nominal)	5.0	2.5
Liability Driven Investments (Real)	14.0	7.0
Total	100.0	-

1. Will invest typically in Multi Asset and Diversified Growth Funds

2. Will invest typically in Multi Asset Credit and Absolute Return Bond funds.

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

APPENDIX 2: CASH FLOW AND RE-BALANCING POLICY

Rebalancing Policy

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

Details of this procedure are specified in the Investment Management Agreement (IMA) with JLT IM.

Any change to the Central Allocation or guideline range will require a signed revision to the IMA.

Cashflows Policy

The Trustee has put in place a suitable procedure for managing the Scheme's cashflows.

Details of this procedure are specified in the IMA with JLT IM.

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

LDI Recapitalisation

The Trustee notes 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 Trustee has put in place a policy regarding this recapitalisation/release procedure.

This policy is set out in the IMA with JLT IM.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

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

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited.

JLT IM will monitor the investment managers. If one of the managers is significantly downgraded by Mercer's Manager Research Team, that manager will automatically be replaced by JLT IM 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 Trustee monitors the underlying managers, and is informed by Mercer of any changes to those managers.

APPENDIX 4: ADDITIONAL DEFAULT FUNDS

Making changes without member consent to AVCs or the money purchase funds results in the relevant funds being determined to be 'default' arrangements requiring additional disclosures. Following this principle, new default arrangements have been created which are as follows:

Investment Funds	Date of Change	Reason
Utmost Life Secure Cash Fund	January 2020	Fund used to receive the proceeds from the Equitable Life With Profits fund
Utmost Life Money Market Fund	July 2020	Fund to which the Utmost Secure Cash Fund holding was transitioned when Utmost phased it out.

The aims of the Additional Default Arrangements:

- In selecting the Additional Default Arrangements, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from the Additional Default Arrangements and choose alternative investment funds at any time.
- Assets in the Additional Default Arrangements are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in the Additional Default Arrangements are invested in a manner which aims to ensure the security, quality, liquidity and appropriateness of a member's portfolio as a whole.
- Assets are invested in pooled funds which are daily dealing and readily realisable.

The Trustee's key policies in respect of these Additional Defaults are summarised in the table overleaf:

Investment Funds	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Utmost Life Secure Cash Fund	<p>The main objectives of the Utmost Life Secure Cash Fund are capital preservation, liquidity and yield; in that order.</p> <p>The Trustee notes that the Secure Cash Fund's value is unlikely to keep pace with inflation. Utmost has guaranteed that the unit price (net of fees) will not decrease, after accounting for charges. The Secure Cash Fund will cease to exist on 31 December 2020.</p> <p>The Secure Cash Fund will predominately be invested in UK Treasury Bills, short term gilts and overnight bank deposits. On occasions other high quality money market investments such as commercial paper or repurchase agreements may be purchased. The investment manager is responsible for determining the balance between these different kinds of investments.</p>	<p>The Trustee has determined that with the potential for elevated levels of volatility in investment markets due to Covid 19 the funds of these members which received a 75% uplift in compensation for the removal of the investment guarantees in the Equitable With Profits Fund should be invested in low risk money market funds where capital preservation is the key objective rather than maximising investment return or providing protection against inflation.</p> <p>The Trustee notes that the Money Market Fund is unlikely to keep pace with inflation.</p>
Utmost Life Money Market Fund	<p>The main objective of the Utmost Life Money Market Fund is to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates.</p> <p>The Money Market Fund will predominantly be invested in short term deposits. The investment manager is responsible for determining the balance between the different kinds of investments.</p>	<p>The Secure Cash Fund and the Money Market Fund have the lowest expected volatility of the funds available with Utmost.</p> <p>The Trustee will review this periodically.</p>

Trustee policies that are not explicitly mentioned in this Appendix are as outlined in the main SIP.

In line with regulatory requirements, the Trustee will continue to review its policies in respect of the Plan's additional default arrangements on a regular basis, and no less frequently than with each three yearly review of the SIP.

APPENDIX 5: RESPONSIBILITIES OF PARTIES

TRUSTEE

The Trustee's 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) and the underlying investment managers, 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 Trustee in the review of this Statement of Investment Principles
- Production of performance monitoring reports
- Informing the Trustee of any significant changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when the Investment Adviser is made aware of them
- Advising the Trustee, at its 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 Manager's organisation, or that of underlying investment managers, could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Liaising with JLT IM to determine funds and investment managers that are suitable to meet the Trustee's objectives
- Monitoring the underlying investment managers to ensure their continuing appropriateness to the mandates given
- 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 select underlying investment managers on behalf of the Trustee.

The responsibilities of the Investment Manager, which is JLT IM, include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required), with a statement and valuation of the assets
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing the Scheme's assets in accordance with the mandate set out in the IMA
- Replacing a manager that is significantly downgraded by Mercer's Manager Research Team with a suitable alternative
- Appointing a suitable Platform provider

The responsibilities of the underlying investment managers include:

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

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 Manager according to the Trustee's instructions