

The R&A Group Services Limited Pension Scheme

Annual Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2020.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Defined Benefit ("DB") and Defined Contribution ("DC") Sections of the Scheme included in the SIP are as follows:

DB Section

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have adopted the following objectives:

- The Trustees' investment policy is guided by an overall objective of achieving, over the long term, a return on the investments which is consistent with the long term assumptions made by the Actuary in determining the funding of the Scheme.
- Over the shorter term, the objective is to achieve a favourable return against the benchmark detailed in Section 3.1 of the SIP. The Trustees believe that the investment strategy adopted for achieving this objective will also be appropriate for achieving a further objective of seeking to avoid the need for additional contributions arising from a mismatch between the assets and liabilities.

DC Section

There is no longer a default arrangement for the purposes of the Occupational Pension Scheme (Charges and Governance) Regulations 2015, because the Scheme is not used as a qualifying scheme for automatic enrolment.

The DC Section's previous default fund was transferred during the bulk transfer without consent to the Aviva Master Trust (a collective investment vehicle for pension schemes) in December 2019. The Aviva Master Trust is managed by an independent board of trustees. The previous default fund invested 100% of member's assets in a passive global equity fund (60% in UK and 40% in overseas equities) up to 10 years prior to normal or selected retirement age, at which point the assets were gradually switched into a proportion of a gilt fund and cash funds. At normal or selected retirement ages, a member's assets were invested 75% in the gilt fund and 25% in the cash fund.

The last review of the default investment arrangement and wider fund range was carried out in 2016. In 2018, a decision was reached to close the Scheme to new contributions with effect from 31 December 2018. The DC Section of the Scheme was transferred to a Master Trust on 4 December 2019. During the Scheme year a review of the performance of the default investment arrangement was not undertaken, however prior to this a performance review was carried out bi-annually.

Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP in August 2020. The SIP was updated to reflect the new regulation requirements regarding investment manager monitoring and engagement.

Assessment of the policies in the SIP applicable to the Scheme from 1 January 2020 to 31 December 2020

The information provided in this section highlights how the Trustees have followed the policies in the SIP, covering the work undertaken by the Trustees during the year and longer term where relevant. The SIP is attached as an Appendix and sets out the policies referenced below.

	Requirement	Policy	From 1 January 2020 to 31 December 2020
1	Securing compliance with the legal requirements about choosing investments	<i>Trustees obtain advice from their investment adviser, enabling the Trustees to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</i>	The Trustees in November 2020 undertook training in relation to delegating day-to-day responsibility for the management of the investments to a fiduciary manager. Additionally the Trustees reviewed the Scheme's SIP in August 2020 which was updated to reflect the new regulation requirements regarding investment manager monitoring and engagement.
2	Kinds of investments to be held	<p><i>For DB Assets: The Trustees are satisfied the spread of assets by type and the spread of individual securities within each type provides adequate diversification of investments for risk management purposes. The process for choosing investments is as follows:</i></p> <ul style="list-style-type: none"> • <i>Identify appropriate investment objectives</i> • <i>Agree the level of risk consistent with meeting the objectives set</i> • <i>Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk</i> <p><i>For DC Assets: The majority of the Scheme's DC assets were bulk transferred to the Aviva Master Trust in December 2019. The remaining DC funds are held with Scottish Widows.</i></p>	<p>The Scheme's DB Section assets strategy comprises of Global Equity, Diversified Growth Fund ("DGF"), Long Lease Property, Corporate Bonds and Liability Matching Assets.</p> <p>The strategy was considered along with the Scheme's liability profile and requirements of the Statutory Funding Objective, taking account of the Trustees' appetite for risk (including financially material risks such as Environmental, Social and Governance ("ESG") risks, including climate change).</p> <p>The majority of the Scheme's DC assets were bulk transferred to the Aviva Master Trust in December 2019. The remaining DC funds are held with Scottish Widows.</p>
3	The balance between different kinds of investments	<i>For the DB Section: The Trustees have adopted a control framework in structuring the Scheme's investments subject to the overriding constraint that at the total Scheme level, the expected level of risk is consistent with the level</i>	<p>The Scheme's DB investment strategy is reviewed formally on a triennial basis.</p> <p>The Trustees receive a 6 monthly investment performance report; this monitors the risk and return of funds within the Scheme.</p> <p>The Trustees no longer review the investment strategy for the DC Scheme given the majority of the investments were bulk transferred out to the Aviva Master Trust.</p>

		<i>of return required to meet the objectives.</i>	
4	Risks, including the ways in which risks are to be measured and managed	<p><i>There are various risks to which any pension scheme is exposed, which the Trustees believe may be financially material to the Scheme. These include liability mismatch risk, lack of diversification and manager underperformance.</i></p> <p><i>The Trustees' policy on the Scheme's key risks are outlined in section 2.2 of the appended SIP. Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.</i></p>	<p>As detailed in the risk section in the SIP, the Trustees consider both quantitative and qualitative measures of risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.</p> <p>With regards to the DB Section, the Trustees review the Scheme's asset allocation compared with the target allocation on a 6 monthly basis. The Trustees may make rebalancing decisions to ensure that the overall level of risk and return is maintained.</p> <p>The Trustees also review the performance of the managers on a bi-annual basis and may invite the managers to present to the Trustees if there are any concerns on the performance or management team.</p> <p>A full review of the Scheme's risk exposures is carried out as part of the triennial strategy review and this is currently underway post year-end.</p> <p>No formal actions are carried out in relation to the Scheme's DC assets given the bulk transfer to the Aviva Master Trust in December 2019.</p>
5	Expected return on investments	<p><i>The Scheme's investment strategy has been structured to ensure that the investments generate a level of return required to meet the overall objectives.</i></p> <p><i>For the DB Section: The overall performance objective of the Scheme is to outperform a notional benchmark (calculated by assuming index performance from a mix of assets allocated in accordance with the investment strategy) over the long term which is consistent with the long term assumption made by the Scheme Actuary in determining the funding of the Scheme. In the case of active managers, a</i></p>	<p>The investment performance for the DB Section is reviewed by the Trustees on a bi-annual basis. The investment performance report includes how the investment managers are delivering against their specific mandates.</p> <p>Over the period since inception to 31 December 2020, the DB Scheme has returned 8.9% p.a. relative to a benchmark of 8.1% p.a.</p> <p>The Trustees no longer monitor the DC assets.</p>

		<p><i>target has been agreed to exceed the benchmark by a specific amount.</i></p> <p><i>It is recognised that over the short term, performance may deviate significantly from the long term target.</i></p>	
6	Realisation of investments	<p><i>The Trustees consider the liquidity of the investments to ensure assets are realisable when required (i.e. to meet member transfer requests and cashflow requirements).</i></p> <p><i>The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.</i></p> <p><i>The Trustees monitor the allocation between the appointed managers and between asset classes and may rebalance if required.</i></p>	<p>All DB funds are daily dealt pooled investment vehicles with the exception of the M&G property fund which is monthly dealing.</p> <p>The Trustees monitor the Scheme's cashflow position on a 6 monthly basis to ensure there is sufficient liquidity within the Scheme to allow for the pay-out of approved member benefit requests and market drawdowns.</p> <p>The Trustees receive a 6 monthly administration report to ensure that core financial transactions are processed within SLAs and regulatory timelines. The employer's head of HR also holds fortnightly check-in calls with the administration team. As confirmed in the Chair Statement, the Trustees are satisfied that generally requirements were met throughout the year.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p><i>The Trustees consider financially material considerations in the selection, retention and realisation of investments. Within the funds, consideration of such factors, including environmental, social and governance factors, is delegated to the investment manager.</i></p> <p><i>Investment managers are expected to evaluate these factors, including</i></p>	<p>As set out in the SIP, the Trustees have given appointed investment managers full discretion in evaluating how ESG factors, including climate change considerations, are taken into account in selecting and retaining the Scheme's investments. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in August 2020.</p> <p>In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by the investment consultant. The training covered ESG factors, stewardship, climate change and ethical investing. This training was provided at the August 2019 Trustee meeting. At this meeting, the Trustees' investment beliefs were discussed with the investment consultant to assist</p>

		<i>climate change considerations, and exercise voting rights (where applicable) and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i>	<p>the Trustees with establishing their policy in this area. Following the discussions at the Trustee meeting, the updated policies were incorporated into the SIP agreed in September 2019. The Trustees keep policies under regular review with the SIP subject to review at least triennially.</p> <p>The Trustees acknowledge that managers in fixed income funds may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt.</p> <p>Given the bulk transfer to the Aviva Master Trust, no formal actions are carried out in relation to the DC Section of the Scheme.</p>
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<i>The Trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment manager's policy on voting and engagement.</i>	<p>The Trustees meet with their investment managers at Trustee meetings as required and may challenge decisions made including voting history (in respect of equities) and engagement activity. Over the year, the Trustees met with Dodge & Cox in November 2020 and heard from the manager with regards to how they embed ESG into their investment processes.</p> <p>No changes were made during the year to this policy. Members' views are not taken into account in the selection, retention and realisation of investments.</p>
9	The exercise of the rights (including voting rights) attaching to the investments	<i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i>	<p>The Trustees have delegated their voting rights to the investment managers. The Trustees expect that votes attached to the Scheme's holdings are exercised whenever practical by the Scheme's investment managers and that managers should engage with the companies in which they have invested with the aim of ensuring ESG factors, including climate change considerations, are properly taken into account in the companies' business strategies.</p> <p>The Trustees meet with the investment managers at Trustee meetings as required and may challenge decisions made including engagement activity.</p> <p>Of the Scheme's investment managers, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly (Veritas, Dodge & Cox and Baillie Gifford) or indirectly in the managers' pooled funds through the DGF (Baillie Gifford).</p> <p>- The Trustees consider how ESG, including climate change and stewardship, is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least 6 monthly. This is done using specific ESG fund</p>

			<p>ratings provided by the Scheme’s investment consultant. These ratings represent the extent to which managers integrate ESG factors and active ownership into their core processes.</p> <p>The Trustees do not use the direct services of a proxy voter.</p> <p>Veritas – Equity</p> <p>Veritas believe ESG factors offer the most valuable insight when the framework is fully integrated into fundamental analysis that allows it to be placed in context along with industry, business, company and financial analysis. As concentrated investors who think and act like long term owners, Veritas endeavour to fully integrate sustainability in all its important dimensions into company analysis and valuation, as they have done from the inception of the funds.</p> <ul style="list-style-type: none"> - Veritas uses the proxy services of Institutional Shareholder Services (“ISS”). - There were 486 resolutions that Veritas were eligible to vote over the 12 month period. Veritas voted at 100% of resolutions. - Of Veritas’ total number of votes, c. 92% were votes for the proposal and c. 7% were against the proposal. The remaining c1% were abstained votes. <p><u>Veritas – Notable Votes and Engagements</u></p> <p>Veritas voted for a proposal to establish a Human Rights Oversight Committee at Alphabet Inc. Veritas believed a proposal was warranted as continued controversies call into question the extent to which the existing board structure provides adequate oversight on risks the company’s technologies present to human rights. This, in turn, creates risks for the company in terms of retaining high-level employees and retaining a good reputation in the eyes of users and advertisers. Also, given the pervasive role of Google in society, this should be undertaken. The proposal was rejected with a c84% majority.</p> <p>Dodge & Cox – Equity</p> <p>Dodge & Cox consider ESG factors, including factors related to climate change-related risks and opportunities, on a bottom-up basis to determine whether they have a material effect on Dodge & Cox’s investment thesis and analysis of a company’s potential risks and rewards. They have considered transition and physical climate-related risks and opportunities, including risks and opportunities from a transition to lower reliance on non-renewable energy resources and risks from sea level rise and greater frequency of extreme weather events, when they have been deemed to be material to their investment thesis on a company level.</p>
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			<ul style="list-style-type: none"> - Dodge & Cox use Institutional Shareholder Services (“ISS”) as their proxy administrator. Dodge & Cox vote in line with the Dodge & Cox Proxy Voting Policies and Procedures and manually vote at proxies. - There were 87 meetings and 1,322 resolutions that Dodge & Cox were eligible to vote over the 12 month period. Dodge & Cox voted at 100% of resolutions. - Of Dodge & Cox’s total number of votes, c. 98% were votes for the proposal and c. 2% were against the proposal. <p><u>Dodge & Cox – Notable Votes and Engagements</u> Dodge & Cox do not define significant votes but rather identify key engagements with companies.</p> <p>For example, Dodge & Cox spoke extensively with the HP Inx. Board and management about a potential merger with Xerox. They talked at length with the company about capital allocation, shareholder value, and strategy. The proposal from Xerox along with HP Inc.’s engagement with their shareholders led HPQ to adopt a new Shareholder Return Program, which focused on increasing value to their shareholders. This was something Dodge & Cox were very pleased with as they had many focused conversations on the topic. Additionally, Dodge & Cox investigated why HP Inc. adopted a “Poison Pill”; they spoke with them about the reasons behind the decision. Subsequently, Xerox announced that they no longer intended to acquire HP Inc. as HP Inc. kept the “Poison Pill” in place. After Dodge & Cox expressed further dissatisfaction around the adopted “Poison Pill”, HP Inc. removed the “Poison Pill” from their by-laws before the Pill expired.</p> <p>Baillie Gifford</p> <p>Baillie Gifford have an internal Governance and Sustainability team which oversee their voting analysis and execution in conjunction with their investment managers. They do not outsource any part of the responsibility for voting to third-party suppliers, instead utilising research from proxy advisers (such as Institutional Shareholder Services and Glass Lewis) for information only. Baillie Gifford engaged with companies over the year under review on a wide range of different issues including corporate governance, executive remuneration and environment/social.</p> <p>Baillie Gifford - Global Alpha Fund</p> <p>Key information on the votes undertaken over the year for the Global Alpha Fund are summarised below:</p>
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			<ul style="list-style-type: none"> - There were 111 meetings and 1240 resolutions that Baillie Gifford were eligible to vote over the 12 month period. Baillie Gifford voted at c.95% of resolutions. - Of Baillie Gifford's total number of votes, c. 97% were votes for the proposal and c. 2% were against. The remaining votes (c1%) were split between withhold votes and abstained votes. <p><u>Baillie Gifford Global Alpha Fund – Notable Votes and Engagements</u></p> <p>Baillie Gifford engaged with Amazon over the 12-month period on a shareholder proposal to improve the transparency of Amazon's corporate lobbying policies and governance. Baillie Gifford believe transparency of all political expenditures and lobbying, particularly indirect spending through trade associations, coalitions and charities, would enable shareholders to assess alignment with Amazon's values and corporate goals.</p> <p>With regards to climate related issues, Baillie Gifford assess the resiliency of the Global Alpha Fund against environmental and social risk and opportunities by using carbon footprinting analysis. This allows the manager to identify the largest emitters and helps prioritise research and engagement activities.</p> <p>Baillie Gifford - Diversified Growth Fund</p> <p>Key information on the votes undertaken over the year for the Diversified Growth Fund are summarised below:</p> <ul style="list-style-type: none"> - There were 97 meetings and 877 resolutions that Baillie Gifford were eligible to vote over the 12 month period. Baillie Gifford voted at c.95% of resolutions. - Of Baillie Gifford's total number of votes, c. 93% were votes for the proposal and c. 6% were against. The remaining votes (c1%) were split between withhold votes and abstained votes. <p><u>Baillie Gifford Diversified Growth Fund – Notable Votes and Engagements</u></p> <p>Baillie Gifford engaged Greencoat UK Wind, who specialise in renewables infrastructure investments in windfarms, on a particular governance issue. Baillie Gifford met the chairman and senior independent director to discuss the role of the board members, their relationship with the investment manager, company strategy and the upcoming AGM. The chairman explained the board's approach to improving the performance of the portfolio. This entails a fortnightly meeting with the investment manager. While Baillie Gifford challenged the board to continue to re-</p>
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			<p>evaluate the investment manager’s fee structure, they were reassured by the board’s commitment and independent challenge to the overall strategic direction, and subsequently voted in favour of all resolutions at the AGM. The board is further strengthened with the 2019 appointment of a new and female board member who brings experience in equity markets and capital raising.</p> <p>Over the prior 12 months, the Trustees have not actively engaged with the Scheme’s managers on their voting activity. The Trustees expect to be more active in challenging the investment managers in relation to voting and engagement in the future. It is expected that, when the investment managers present to the Trustees at future meetings, the Trustees will ask the investment managers to highlight key voting and engagement activity and the impact on the portfolio.</p>
10	<p>Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)</p>	<p><i>The Trustees expect the Scheme’s managers to take into account current best practice, including the UK Corporate Governance Code and the UK Stewardship Code, of which the Trustees are supportive.</i></p> <p><i>Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.</i></p>	<p>As set out in the SIP, the Trustees have given appointed investment managers full discretion in the evaluation of ESG factors, including climate change considerations. The Trustees also consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers.</p> <p>Of the Scheme’s managers, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly held with Veritas, Dodge & Cox and Baillie Gifford and indirectly through the Baillie Gifford Diversified Growth Fund (“DGF”).</p> <p>Going forward, the Trustees will review the Scheme’s mandates at least annually, in regards to their approach to ESG and their voting and stewardship activities. The Trustees will also ensure they remain comfortable the managers’ engagement policies are in line with their own.</p> <p>An investment performance report, produced by the Scheme’s investment consultant, is reviewed by the Trustees on a bi-annual basis. The report includes manager ratings (both general investment capabilities and ESG specific) from the investment consultant. All of the funds used by the Scheme remained highly rated during the year. Where managers may not be highly rated from an ESG perspective, the Trustees have discussed the reasons with the investment consultant.</p> <p>The Scheme’s investment managers engaged with companies over the period under review on a wide range of different issues, including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme’s investment managers</p>

			provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	<p><u>DB Section</u> <i>The Trustees' policy in relation to investments to be held is set out in section 4 of the SIP.</i></p> <p><i>In line with section 4 of the SIP, managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.</i></p> <p><i>As the Trustees invest the bulk of the Scheme's assets in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.</i></p>	<p><u>DB Section</u> In the year to 31 December 2020 no specific actions were taken. The Trustees received a presentation from Dodge & Cox in November given recent short term performance concerns. The Trustees considered appointing a fiduciary manager after the accounts year end.</p>
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in	<p><u>DB Section</u> <i>The Trustees meet the investment managers as required to review their performance. The Trustees carry out a 6 monthly evaluation of investment performance</i></p> <p><i>Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.</i></p>	<p><u>DB Section</u> In the year to 31 December 2020 the Trustees received a presentation from Dodge & Cox in November given recent short term performance concerns. The Trustees considered appointing a fiduciary manager after the accounts year end.</p>

	the medium to long-term.		
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]		<p><u>DB Section</u> In the year to 31 December 2020 the Trustees received investment manager performance reports on a 6 monthly basis, which present performance information over 6 months, 1 year, 3 year and since inception periods.</p> <p>The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated tracking error (over the relevant time period).</p> <p>The Trustees' focus is on long term performance but will put the manager 'on watch' if there are short term performance concerns.</p> <p>Given the shift of the DC assets to the Aviva Master Trust, the DC Section was no longer formally reviewed over the year.</p>
14	How the trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	<p><u>DB Section</u> The Trustees' policy in relation to the monitoring of portfolio turnover costs is set out in section 4.2-D of the SIP.</p>	<p>At present, the Trustees do not monitor portfolio turnover costs in the DB Section but may look to do so in the future.</p> <p>Given the shift of the DC assets to the Aviva Master Trust, the DC Section was no longer formally reviewed over the year.</p>
15	The duration of the arrangement with the asset manager	<p><u>DB Section</u> <i>The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustees are dissatisfied with the managers' ongoing ability to deliver the mandate promised or because of a change of investment strategy by the Trustees.</i></p>	<p><u>DB Section</u> There were no changes during the period.</p> <p>Given the shift of the DC assets to the Aviva Master Trust, the DC Section was no longer formally reviewed over the year.</p>

Appendix

Statement of Investment Principles

1. INTRODUCTION

The Trustees of The R&A Group Services Limited Pension Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
- Subsequent legislation.

As required under the Act the Trustees have consulted a suitably qualified person in obtaining written advice from Mercer Limited (“Mercer”). The Trustees in preparing this Statement have also consulted the Sponsoring Employer, in particular on the Trustees’ objectives.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment management and described in Section 3.

The investment objectives and strategies for the Scheme are set out in Section 2.

2. INVESTMENT OBJECTIVES AND RISK

2.1 Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have adopted the following objectives:

- The Trustees’ investment policy is guided by an overall objective of achieving, over the long term, a return on the investments which is consistent with the long term assumptions made by the Actuary in determining the funding of the Scheme.
- Over the shorter term the objective is to achieve a favourable return against the benchmark detailed in Section 3.1. The Trustees believe that the investment strategy adopted for achieving this objective will also be appropriate for achieving a further objective of seeking to avoid the need for

additional contributions arising from a mismatch between the assets and liabilities.

2.2 Risk

There are various risks to which any pension scheme is exposed. In particular the Trustees have considered the following:

- The risk of deterioration in the Scheme's funding level.
- The risk that the day to day management of the assets will not achieve the rate of return expected by the Trustees.

The Trustees consider the total risk of the investment policy in terms of the potential impact on the level and potential volatility in the funding level and, by association, additional (or 'deficit') contributions. The Trustees have explicitly considered the interest rate and inflation sensitivity of the assets and liabilities and have implemented a Liability Driven Investments mandate with Insight Investments to reduce the mismatch between assets and liabilities in this area. The investment policy is based on the Trustees' and the Sponsoring Employer's view and tolerances with regard to these risks.

The Trustees believe that the investment strategy outlined in this Statement is appropriate for meeting the risks outlined above. The Trustees also monitor the Scheme's investments on a six monthly basis.

2.3 Investment Strategy

Following a review of investment strategy, the Trustees have determined, based on expert advice from Mercer, a benchmark mix of asset types and ranges within which the investment managers may operate; these guidelines are set out in Section 3.

The Trustees review the appropriateness of the investment strategy on a regular basis. Such analysis enables the Trustees to assess the appropriate level of risk given the objectives and risks identified above, which are also reviewed on a regular basis and in response to any material changes to the circumstances of the Scheme and the Sponsoring Employer.

The Trustees target an annual return on the Scheme's assets in line with the Actuary's assumptions and believe that the resulting asset mix is currently appropriate for controlling the risks identified in Section 2.2.

3. DAY TO DAY MANAGEMENT OF THE ASSETS

3.1 Main Assets

The Trustees invest the main assets of the Scheme in pooled funds operated by five investment managers. The equity assets are split between Baillie Gifford, Veritas and Dodge & Cox. The bond assets are invested with Insight Investment Management, and the Diversified Growth Fund ("DGF") assets are held with Baillie Gifford. The long-lease property mandate is held with M&G.

The Trustees are satisfied that the spread of assets by type and the investment manager's policy on investing in individual securities within each type provides adequate diversification of investments. The overall investment strategy and structure is shown in the table below:

Manager	Asset Class	Benchmark %	Most Suitable Benchmark	Outperformance Target (% p.a.)
Baillie Gifford	Global Equities (Global Alpha Fund)	11.7	MSCI AC World Index	+2.0 - 3.0% p.a. (gross of fees)
Veritas	Global Equities	11.7	MSCI World Index	CPI +6.0%-10.0% p.a. (gross of fees)
Dodge & Cox	Global Equities	11.7	MSCI World Value Index ^(a)	+2.0%-3.0% p.a. (gross of fees) ^(a)
Total Equities		35.0 ^(b)		
Baillie Gifford	Diversified Growth Fund	12.5	UK Base Rate	+4.15% p.a. (gross of fees)
Total DGF		12.5		
M&G	Secured Property Income Fund	10.0	RPI ^(c)	+4% p.a. (gross of fees) ^(c)
Total Long-Lease Property		10.0		
Insight	Long Corporate Bonds	4.0	iBoxx Sterling Non-Gilts Over 10 Years Index	+1.0% p.a. (gross of fees)
Insight	Buy and Maintain Bond Fund	8.0	Markit iBoxx GBP Collateralized and Corporates excluding Tier 1 and Upper Tier 2 Index ^(d)	n/a
Insight	Liability Driven Investments	30.5	Bespoke benchmark	n/a
Total Bonds		42.5		
Total		100		

(a) Dodge & Cox do not stipulate an explicit benchmark or return targets for the fund, but have stated that they would expect to outperform the MSCI World Value Index by 2-3% p.a. over a full market cycle.

(b) A split of 11 and two thirds percentage over the three equity managers. Totals may not sum due to rounding.

- (c) The Fund does not have an explicit target, however the anticipated mid to long term total return is RPI +4% p.a.
- (d) Given structural differences in composition between the Index and the Fund (including the strategic nature of holdings in the Fund in comparison with the likely on-going changes to the composition of the Index), the Fund is likely to experience prolonged periods of markedly different performance from that of the Index.

3.2 Cash Flow and Rebalancing Policy

All new contributions are to be invested to bring each manager's asset allocation in line with its target, as outlined in Section 3.1 above. This will be monitored and reviewed if necessary in order to achieve the investment strategy above.

Mercer produces regular performance updates for the Trustees which monitor the current split of assets relative to the overall benchmark in Section 3.1 above. The Trustees will assess the position and, if it is felt necessary, will rebalance the assets accordingly.

3.3 Fee Structure

The following fees apply to the Scheme:

Manager	Asset Class	Fee (% p.a.)
Veritas	Equities	0.75
Dodge & Cox	Equities	0.60
Baillie Gifford	Equities	0.65 ^(a)
	DGF	0.65
M&G	Long-Lease Property	0.50 ^(b)
Insight	Corporate Bonds – Buy & Maintain	0.15
	Long Corporate Bonds	0.30
	Liability Driven Investments (fully funded index-linked gilts)	0.05

(a) *0.55% p.a until 30 November 2013, under a preferential fee structure agreed with Baillie Gifford on entering the Global Alpha Pension Fund.*

(b) *The standard management fee of 50 bps of NAV per annum would apply to the gross asset value of the Fund. In addition, there are further fees paid directly by the Fund at the sub-trust level (administrator, valuer and custodian fees) which are typically c. 8bps per annum.*

3.4 Additional Assets

Assets in respect of members' additional voluntary contributions are held in a fully insured contract with Scottish Widows.

3.5 Monitoring Performance

Mercer prepares regular investment monitoring reports for the Trustees which provide an overview of the performance of the managers, the underlying funds

and the Scheme as a whole. The Trustees are also kept up to date with developments at each of the managers which may impact the Scheme's investments.

The Trustees also meet the investment managers from time to time.

3.6 Realisation of Investments

In general, the Scheme's underlying investment managers have discretion in the timing of the realisation of investments and consideration of the liquidity of these investments. The Trustees believe that the assets of the Scheme are capable of being realised if circumstances so require.

The Trustees are aware of the investment in the M&G Secured Income Property Fund not being as liquid as the other investments. Property is a relatively illiquid asset class in comparison to others. The Fund has a 1-month notice period for exit; although we note that selling during periods of market volatility may result in depressed pricing.

4. SOCIALLY RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

4.1 ESG, Stewardship, and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. Where applicable the Trustees expect the Scheme's investment managers to exercise all voting rights attaching to shares or securities and take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The managers are authorised to exercise discretion to vote as they think, but in doing so reflect the best interests of the Scheme.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future. The Trustees do not explicitly consult members when

making investment decisions but regularly update members via newsletters and by making a copy of the Statement of Investment Principles available on request.

4.2 Engagement with the Investment Managers

The policy in relation to the Trustees' arrangements with their investment managers are set out below.

A Incentivising the asset managers to align its investment strategy and decisions with the Trustee policies:

In line with section 3 of the SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's 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 consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

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

The Scheme's investment mandates with Veritas, Dodge & Cox, Baillie Gifford, M&G and Insight, are reviewed following periods of sustained underperformance from their respective targets. The Trustees will review the appropriateness of using active and passive managed funds (on an asset class basis) on an ad-hoc basis.

As the Trustees invest the bulk of the Scheme's assets in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

B Incentivising the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of a holding company, and to engage with holding companies in order to improve their performance in the medium to long-term:

The Trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement.

The Trustees meet with the investment manager at Trustee meetings as required and may challenge decisions made including voting history (in respect of equities) and engagement activity.

The Trustees delegate all voting and engagement activities to the investment manager. When required the Trustees will question managers' voting decisions if they deem them out of line with the investment fund's objectives or the objectives / policies of the scheme.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

C Aligning the evaluation of the asset manager's performance and the remuneration for asset management services with the Trustees' policies:

The Trustees receive investment manager performance reports on a 6 monthly basis, which presents performance information over six months, one year, three year and since inception periods. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated tracking error (over the relevant time period).

If the manager is not meeting their investment objectives or the mandate has changed, the Trustees may review the mandate including the annual management charge levied by the manager.

D Monitoring portfolio turnover costs incurred by the asset manager:

The Trustees receive MiFID II reporting from their investment managers but do not analyse the information.

The Trustees do not currently monitor portfolio turnover costs but may look to do so in the future.

E The duration of the arrangement with the asset manager:

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

The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the trustees have decided to terminate.

5. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this Statement regularly.

6. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Employer which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Sponsoring Employer.

Date of Amendments

Original Statement	July 2000
First Amendment:	June 2003
Second Amendment:	December 2003
Third Amendment:	July 2005
Fourth Amendment:	December 2006
Fifth Amendment:	November 2008
Sixth Amendment:	July 2009
Seventh Amendment	June 2010
Eighth Amendment	November 2010
Ninth Amendment	July 2013
Tenth Amendment	October 2013
Eleventh Amendment	July 2015
Twelfth Amendment	June 2016
Thirteenth Amendment	November 2017
Fourteenth Amendment	November 2018
Fifteenth Amendment	September 2019
Sixteenth Amendment	August 2020