FUJIFILM UK LIMITED PENSION AND LIFE ASSURANCE SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the FUJIFILM UK Limited Pension and Life Assurance 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 Adviser, 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 Scheme is Exempt Approved and consists of two sections; the Final Salary/Defined Benefit (DB) section and the Money Purchase/Defined Contribution (DC) section.

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

DB Section

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.

DC Section

The Trustees aim to provide suitable investment options that are aligned to the needs of their members.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, seven main types of investment risk can be identified, as noted below:

- Investment-Return Risk - the risk is that a member is not invested in those asset classes that are expected to generate the highest returns over the long run.
- Volatility risk - The risk that the value of a member's pot will fluctuate substantially over the investment term.
- Annuity-Rate Risk - the risk is that, when close to retirement, a member has not invested the part of his/her fund that will be used to purchase a pension in those asset classes (principally bonds), which protect against annuity-rate movements.
- Capital-Stability Risk - the risk is that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a cash sum in asset classes that are subject to volatility in capital-value terms.
- Market-Switching Risk - the risk arises if there is to be switching between investment vehicles. The risk is that large investment switches are made at one point in time, thereby unnecessarily exposing members to unfavourable market pricing on a particular day.
- Inflation Risk - The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).
- Foundation Risk – this is the risk that capital value losses in early years could potentially discourage members from saving.

The Trustees have determined their investment policy in such a way as to address the above risks.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default lifestyle strategy.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Section 4. Details of the Trustees' key investment principles in respect of the default strategy are set out in Appendix 2.

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

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

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

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

- The regular approval of the content of the Statement
- The appointment and review of the investment managers 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 basis
- 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
- Framing manager mandates
- Selecting and replacing investment managers
- Setting cashflow management (investment and withdrawal) policies (see Appendix 3)

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 3). 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.

Mercer monitors the performance of the Scheme's investment managers against their benchmarks. Mercer will also advise the Trustees 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.

Mercer also monitors the performance of the Scheme's assets at an aggregate level in relation to the Scheme's liabilities to assess the success, or otherwise, of the Trustees' investment strategy.

Mercer is remunerated primarily on a time-cost basis. Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees believe 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 ARRAGEMENTS WITH INVESTMENT MANAGERS

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

With regard to the DB Section, 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

With regard to the DC Section, all of the invested funds are open-ended with no set end date for the arrangement. The Default Arrangement and fund range are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Scheme. 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 Mercer 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.

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.

The details of each manager's mandate and the basis of the contracts between the Trustees and their investment managers are set out in Appendix 4.

In particular, the 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 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 engaged by the Trustees are authorised and regulated by the Prudential Regulation Authority ("PRA"), FCA or both.

For the non-buy in assets, the investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. The Trustees believe that this is the most appropriate basis for remunerating managers. None of the investment 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 is 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 Trustee's policies as set out in this SIP.

Buy-In Policy

The Trustees have secured a buy-in policy with Pension Insurance Corporation Limited ("PIC") to pay to the Scheme an amount equal to the pensions in payment at the time of taking out the policy, together with appropriate pension increases thereafter.

The primary responsibility of PIC is to ensure that the correct amount is paid to the Scheme in respect of these pensions in payment.

PIC's charges for managing the policy were crystallised into the up-front premium that the Trustees paid when securing the policy.

PIC is authorised by the PRA and the FCA.

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 5.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

DB Section

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the 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.

Taking all these factors into consideration, the Trustees have determined that the investment strategy as set out in Appendix 1 is currently suitable for the Scheme.

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

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

DC Section – Default Arrangement

The Trustees have adopted Target Date Funds ("TDFs") as the Default Arrangement for the DC Section. A TDF is a fund which a member is invested in for the entire duration of their career until their Target Retirement Age (TRA) is reached. When investing into the default, each member will choose a TDF vintage that relates to their TRA. In the initial years a TDF targets a 'growth phase', which is characterised by investing in riskier assets with a higher expected return profile. As a member approaches retirement, the asset allocation within their respective TDF begins a de-risking phase into lower risk assets. Further details on the TDFs are set out in Appendix 2.

The Trustees also offer members a suitable range of funds as an alternative to the default option. Details of the self-select funds are all set out in Appendix 4.

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.

Details relating to the pooled funds in which the Scheme is invested can be found in Appendix 4.

The Trustees recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. For the DB Section of the Scheme, the Trustees have therefore invested in pooled Diversified Growth Funds ("DGF"), which are actively managed multi-asset funds and invest across a diversified range of assets.

The Trustees note that it would not be practical (or appropriate) for them to commit the resources necessary to make these decisions across a wide range of asset classes themselves.

The Trustees note that the actuarial value of the Scheme's future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations. The Trustees have therefore decided to 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.

The Trustees have also undertaken a buy-in with PIC which will pay to the Scheme an amount equivalent to the pensions for the pensioners at the time of taking out the policy, and their dependants as appropriate.

Similarly, for the DC Section, the Trustees have invested in a pooled Target Dated Funds (TDF), whose manager selects and manages allocations across a diversified spectrum of assets based on the target date of the specific fund. The self-select fund range allows the members to invest in the following:

- UK and Overseas Equities. Including Emerging Market Equities
- UK Government Bonds, Fixed and Inflation-linked
- Corporate Bonds
- Property
- Diversified Growth
- Cash

The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must 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.

The Trustees further recognise 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 Trustees would seek to invest in funds which incorporate ESG principles.

In setting their investment strategy for the DB Section, the Trustees have 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 most important.

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

As noted earlier, the Scheme’s assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which managers invest.

The Trustees have reviewed the ESG policies of its managers and concluded that they are appropriate. The Trustees will therefore rely on the policies and judgement of fund managers when assessing the impact on the value of the Scheme’s investments.

In considering the investments for the DC Section, the Trustees are satisfied that funds in the default and the self-select options take a responsible approach to voting and engaging with the companies it invests in to encourage a responsible approach to ESG.

When requested, the Trustees receive ESG scores provided by the Investment Adviser in relation to the funds in which the Scheme is invested and will monitor how these develop over time.

The Trustees believe that the importance of ESG considerations will increase over time and have therefore built an ongoing review of this into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

The Trustees will update this Statement to reflect any developments as appropriate.

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

4.5 NON - FINANCIAL CONSIDERATIONS

The Trustees’ objective is that the financial interests of the Scheme members are its first priority when choosing investments.

They have decided not to consider non-financial considerations, or to take members’ preferences into account when setting the investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

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

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

5 RISK

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

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

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.
- In relation to the buy-in policy, the Trustees will monitor the position to ensure that PIC continues to make the appropriate payments to the Scheme in respect of the specified members and their dependants on a timely basis.

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.
- The majority of the Scheme's assets are invested in quoted markets and are as readily realisable as the Trustees feel appropriate given the cashflow position of the Scheme and the expected development of the Scheme's liabilities, both of which are monitored by the Trustees.
- The buy-in policy is a contract of insurance to pay to the Scheme an amount equivalent to the pensions at the time of taking out the policy, and their dependants. It is not 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 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 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.
- 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.
- 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.
- 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 recognise that the DB Section'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 Trustees have invested in LDI Funds to manage this risk.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the investment managers through a combination of strategies, such as diversification, duration and yield curve management.
- For the DC Section, TDF's will have bond exposure for members seeking to purchase an annuity and manage their interest rate risk.

Other Price risk

- This is the risk of volatility in fund values and principally arises in relation to the return seeking assets, for which the Scheme invests in equities and DGFs. By investing in DGFs the Scheme benefits from access to a wide range of investments across a range of investment markets.
- For the DC Section, the Trustees have put in place TDF as the default investment option to reduce other price risk as a member approaches retirement. Members are also offered a range of funds and therefore have the opportunity to select a different level of risk if appropriate to their circumstances.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are an established part of the investment decision making process, by regularly reviewing the Investment Adviser's ESG scoring of the Scheme's managers and by considering ESG on an annual basis to make sure that emerging trends and new information are taken into account as appropriate.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

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

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

In relation to the buy-in policy, the Trustees have put in place a process to monitor that PIC continues to make the appropriate payments to the Scheme on a timely basis.

For the DC Section, the Trustees receive reporting from the investment managers.

6.3 PORTFOLIO TURNOVER COSTS

For the DB Section, the Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although note that the performance monitoring which they receive is net of all charges, including such costs. For the DC Section, the Trustees consider portfolio turnover costs as part of the annual value for members assessment and asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

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

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

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

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustees will make AVC facilities available for members that are acceptable in terms of breadth of the choice of funds and the performance of those funds. The Trustees will review the AVC's from time to time to ensure that they remain suitable for member's needs.

Members choose which of the available funds to invest in. The Trustees have made a suitable mix of funds available to provide for differing member requirements.

Members have the facility to invest their AVCs within the funds in the default strategy and the self-select range.

With effect from 1 April 2005, the Trustees ceased the option for members to invest their AVCs with Phoenix Life. With effect from 9 February 2009, it was agreed that new entrants will no longer have the option to invest their AVCs with Standard Life, although former members can continue to contribute to the existing Standard Life AVC policy.

8 CODE OF BEST PRACTICE

DB Section

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

The Trustees receive investment advice which ensures that the principles contained within this guidance are applied to the Scheme as far as relevant to its circumstances.

The Investment Adviser attends each Trustee meeting which enables developments to be monitored, both in relation to the Scheme’s circumstances and in relation to evolving guidance, so that the investment approach can be revised if considered appropriate.

DC Section

The Pensions Regulator also publishes guidance on governance in relation to defined contribution arrangements.

Similarly to the DB Section, the Investment Adviser attends each Trustee meeting which enables developments to be monitored, both in relation to the Scheme’s circumstances and in relation to evolving guidance, so that the investment approach can be revised if considered appropriate.

9 COMPLIANCE

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

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment 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 29 - 9 - 2020

Signed on behalf of the Trustees by	[signature]	[signature]
On	29 - 9 - 2020	29 - 9 - 2020
Full Name	DUNCAN EDGAR	RICHARD CREIGHTON
Position	CHAIR TRUSTEES	TRUSTEE

APPENDIX 1: DB SECTION - ASSET ALLOCATION BENCHMARK

The Scheme's asset allocation and guidance range are set out below:

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**45%**	**+/- 10%**
Diversified Growth	45%	
Stabilising Assets	**55%**	**+/- 10%**
Real Liability Driven Investments	21%	-
Nominal Liability Driven Investments	24%	
Active Corporate Bond	10%	-
Total	**100%**	

Note – For the Stabilising Assets, there are no specific guideline ranges and the strategic allocation weightings in the table above reflect the position at the time of implementation. This is because the Stabilising Assets are targeting a hedge ratio of 100% of funded liabilities and it is necessary to allow for dynamic allocation between LDI and Corporate Bonds, in order to take into account changes in liability profile of the Scheme and extraordinary market conditions where a full hedge from LDI is less compelling.

The Trustees will monitor this allocation and make changes if considered appropriate after receiving investment advice.

The Diversified Growth allocation comprises of two managers which have equal allocation.

Appendix 4 provides information about the selection of investment managers.

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

Buy-In Policy

In addition to the above, the Trustees have secured a buy-in policy with PIC to pay to the S an amount equivalent to the pensions for the specified pensioners and their dependants.

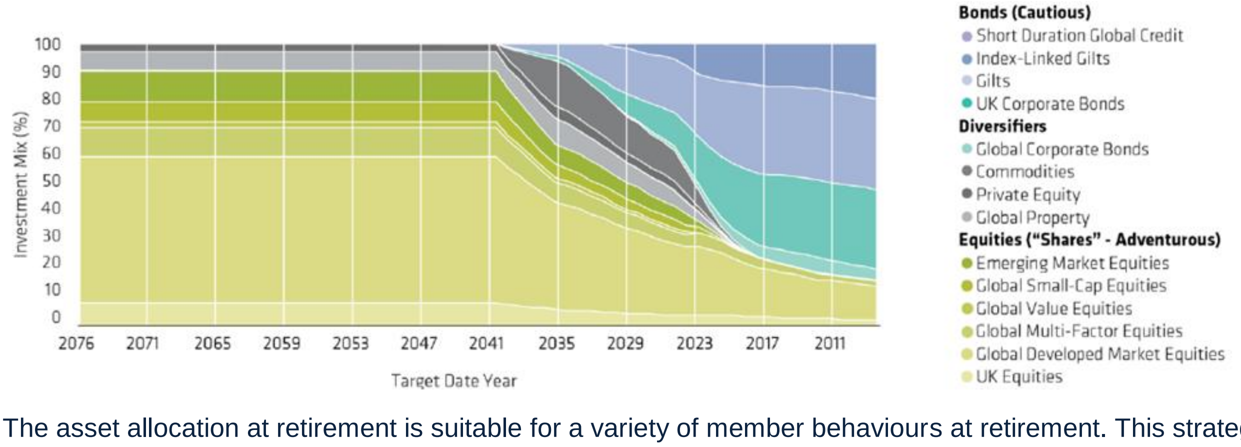
APPENDIX 2: DC SECTION – DEFAULT STRATEGY

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy chosen by the Trustees with the advice of their Investment Consultant.

The default strategy utilises Target Date Funds (TDF). TDFs have been designed to provide members with greater stability as they approach retirement, by gradually moving their savings from funds that offer long-term growth potential into less risky funds. Members that are some way from retirement are provided with appropriate opportunities for asset growth, but with some volatility in asset values. A greater proportion of members' assets are automatically switched into more diversified funds, which should reduce the level of investment volatility, as they approach retirement. At their retirement date, members will be invested 100% in a fund that aims to preserve, rather than increase, the value of their savings. Members are invested in a single TDF Fund for the entire duration of their career until they reach the target retirement age.

For example, a member expecting to retire around 2040 would invest in the '2040 Fund'. This would have an internal switching mechanism and would start to switch into less risky assets in the lead up to the 'target date' so that by 2040 the fund is positioned for retirement.

The Trustees have selected TDFs managed by Alliance Bernstein (AB) as the Scheme's default strategy. Each TDF is designed and managed for an investor saving to retire in or around the years stated in its name (the "target date"). Savings will progressively move from riskier, capital growth–oriented assets such as equities and property, into lower-risk, retirement income protection–oriented assets, such as bonds, as a member approaches and passes their target retirement date. The manager seeks to ensure that the mix of assets remains appropriate given the TDF's aim, and will also employ a dynamic asset allocation strategy which seeks to mitigate the effects of large market movements without detracting from long-term returns. The manager will manage the TDFs in such a way that, for an individual investing over the whole term of each TDF, a return of CPI plus 4% per annum is targeted. This strategy can be illustrated using the following graph:



The asset allocation at retirement is suitable for a variety of member behaviours at retirement. This strategy will have good capacity to continue to provide investment returns but with a reduced level of risk compared to the growth and consolidation stages of the default strategy.

Taking into account the demographics of the DC Section's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default is appropriate. The Trustees will continue to review this over time, at least triennially, or after any significant changes to the Scheme's demographic, if sooner.

APPENDIX 3: CASHFLOW AND REBALANCING POLICY

DB Section

Rebalancing Policy

The Trustees will review the allocation of the Scheme's assets from time to time and may apply cashflows to their investments to rebalance the Scheme's investments if necessary.

Cashflows Policy

Incremental investments and disinvestments up to £500,000 will be applied to both the Threadneedle Multi Asset Fund and the Baillie Gifford Multi Asset Growth Fund. The investment or disinvestment of cashflows of more than £500,000 will be considered on a case by case basis.

LDI Recapitalisation

The Trustees note that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds or may release assets from time to time. The Trustees shall deal with the cash call or cash release as and when they occur. Mercer shall advise the Trustees accordingly.

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

DC Section

The investments relate to the individual member, and therefore no cashflow or rebalancing policy is required.

APPENDIX 4: INVESTMENT MANAGER INFORMATION

DB Section

The DB Section of the Scheme invests the non-buy in assets with Columbia Threadneedle Investments, Baillie Gifford, Legal and General Investment Management (“LGIM”), and Bank of Montreal (“BMO”) Asset Management.

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

Growth Assets

Manager / Fund	Benchmark	Objective	Dealing Frequency	Total Expense Ratio
Diversified Growth				
Columbia Threadneedle Multi Asset Fund	UK Base Rate	To outperform the benchmark by 4% p.a. over a 5 to 7 year cycle	Daily	0.50%
Baillie Gifford Multi Asset Growth Fund	UK Base Rate	To outperform the benchmark by 3.5% (net of fees) over a 5-year rolling period	Daily	0.60%

Stabilising Assets

Manager / Fund	Benchmark	Objective	Dealing Frequency	Total Expense Ratio
Liability Driven Investments				
BMO Real Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK DB pension scheme	Daily	0.34%
BMO Nominal Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide hedging by offering interest rate protection which replicates the liability profile of a typical UK DB pension scheme	Daily	0.34%

Cash				
BMO Sterling Liquidity Fund	7 Day LIBID	To provide capital stability, liquidity and diversification while providing a competitive level of return	Daily	0.10%
Corporate Bonds				
LGIM Active Corporate Bond – All Stocks	Markit iBoxx £ Non-Gilt Index	To outperform the benchmark by 0.5% per annum (net of fee) over a 3 year rolling period	Weekly	0.25% plus £1,500 per annum

Buy-In Policy

In addition to the above, the Trustees have secured a buy-in policy with PIC to pay to the Scheme an amount equivalent to the pensions for the specified pensioners and their dependants.

DC Section

The DC Section of the Scheme invests in the following:

Default Strategy

Manager / Fund	Benchmark	Objective	Dealing Frequency	Total Expense Ratio
Alliance Bernstein Target Date Funds	N/A (Asset based approach)	To outperform long term CPI inflation by between 1.5% - 4% depending on vintage	Daily	0.30%

*Please note each member can only contribute to a single vintage from the TDF range at any one time.

The Alliance Bernstein Target Date Funds (TDF) are held via the investment platform provided by Mobius Life Limited. Mobius Life Limited is an authorised unit-linked UK life insurance company and provides third party investment administration platform services. It is authorised by the PRA, and regulated by the FCA and PRA.

Self-Select Fund Range

Manager / Fund	Benchmark	Objective	Dealing Frequency	Total Expense Ratio
LGIM UK Equity Index Fund	FTSE All-Share Index	To track the benchmark performance	Daily	0.13%

LGIM Overseas Equity Consensus Index Fund	FTSE All-World (ex UK) Index	To track the benchmark performance	Daily	0.25%
LGIM Global Equity Fixed Weights (50:50) Index Fund (GBP Hedged	50% UK and 50% Overseas GBP Hedged (17.5% North America, 17.5% Europe ex UK, 8.75% Japan, and 6.25% Asia Pacific ex Japan	To track the benchmark performance	Daily	0.20%
LGIM World Emerging Markets Equity Fund	FTSE Emerging Markets Index	To track the benchmark performance	Daily	0.46%
LGIM Property Fund	AREF/IPD UK Quarterly All Balanced Property Fund Index	To exceed the benchmark performance over three and five year periods	Daily	1.04%
LGIM Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Year Index	To track the benchmark performance	Daily	0.10%
LGIM Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	To track the benchmark performance	Daily	0.10%
LGIM Active Corporate Bond –All Stocks Fund	Markit iBoxx £ Non-Gilts Index	To outperform the benchmark by 0.75% p.a. (before fees) over a three year rolling period	Daily	0.25%
LGIM Sterling Liquidity Fund	7 Day LIBID	To provide a competitive return relative to benchmark, although no specific performance objective	Daily	0.12%
Newton Global Equity Fund	MSCI AC World Index	To achieve capital growth from a portfolio of international securities	Daily	0.80%
Newton Real Return Fund	1 Month LIBOR	To outperform benchmark by 4% per annum over 5 years before fees	Daily	0.80%

The TER includes the additional expenses in managing the funds. This varies over time, and the figures above are correct at this document is drafted.

APPENDIX 5: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the 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

The Investment managers' 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

Buy-In Policy

The primary responsibility of PIC is to ensure that the correct amounts are paid to the Scheme on a timely basis equivalent to the pensions for the pensioners at the time of taking out the policy, and their dependants as appropriate.

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

For the DB Section, 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.

For the DC Section, the Administrator's responsibilities include the following:

- Ensure members' contributions are invested/disinvested appropriately, including ensuring the members in the default strategy are invested in the correct vintage.