Threadneedle Pension Plan ('the Plan')
Governance Statement for the Plan year ended 31 December 2019

As Chair of Trustees, I present this statement of governance in relation to the Plan's money purchase benefits. The Plan is a Cash Balance Plan where the Retirement Lump Sum (which is used to purchase an annuity, provide a scheme pension or provide a lump sum) is a defined benefit, based upon pay and length of service (15% of Final Pensionable Salary for each year of Pensionable Service for Pre-1996 members and 13% of Final Pensionable Salary for each year of Pensionable Service for Post-1996 members, less a State Pension Adjustment for both sections). However, for some members, the Employer provides an annual Additional Employer Contribution ('AEC') which is invested on a money purchase basis (these contributions will cease when the Plan closes to future accrual). When a member retires or transfers out, pension rights calculated on the defined benefit formula described above are added to the benefits available from the members' AEC and any additional voluntary contributions ('AVCs') the member may have paid. The Plan's money purchase funds are held in a policy provided by Prudential.

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require trustees of schemes holding money purchase funds to prepare an annual statement regarding governance, which must be included in the annual trustee report and accounts and parts of which must be published online.

A money purchase scheme is one where broadly, each member has their own savings pot into which employer and member contributions are paid. The retirement benefits eventually paid to members are not known in advance but depend instead upon factors such as the amount of contributions paid in, the investment returns that they earn and the charges that are deducted from the funds. Members' outcomes at retirement are therefore partly affected by how well trustees carry out their investment governance functions as well as their ability to negotiate charges and services that provide good value for members. The purpose of the statement is for trustees of money purchase schemes to explain how they have exercised their responsibilities in these crucial areas.

This statement covers the period from 1 January 2019 to 31 December 2019. As specified in the Regulations, it sets out how the Trustee has met the governance requirements in relation to:

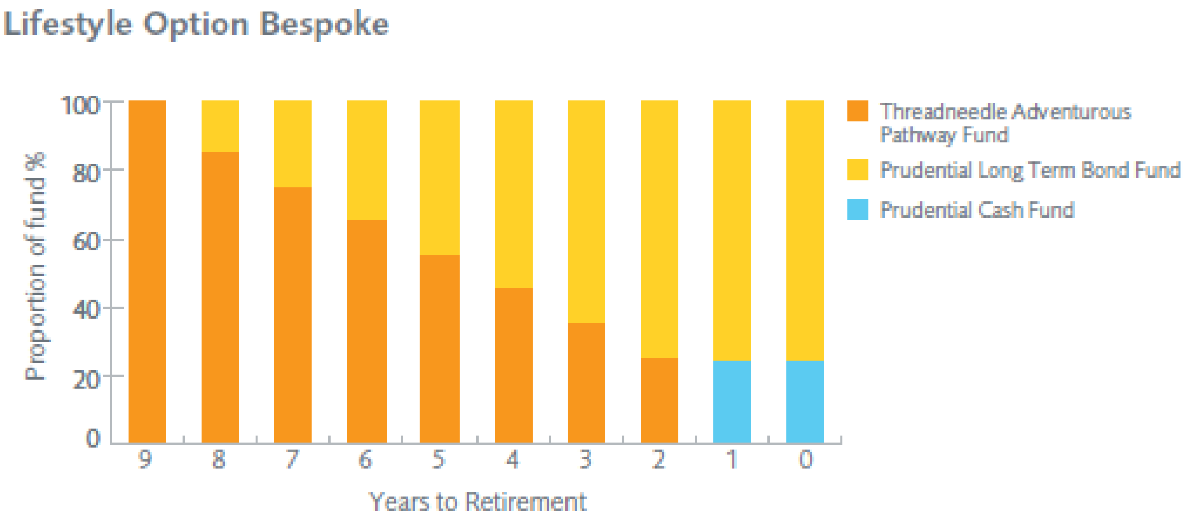
- The default investment strategy;
- Processing of core financial transactions;
- Costs and charges paid by members;
- Value for members assessment; and
- Trustee knowledge and understanding.

The default investment strategy

The Trustee is required to design the default investment strategy in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default investment strategy and take account of the level of costs and the risk profile that are appropriate for the Plan's membership.

The Trustee is responsible for the investment governance of the money purchase arrangements, which includes setting and monitoring the default investment strategy for the Plan’s AECs and AVCs, the Lifestyle Option Bespoke. The Lifestyle Option Bespoke is primarily provided for members of the Plan who do not choose an investment option for their contributions and / or are looking to take their retirement savings as an annuity at retirement.

The structure of the default investment strategy is illustrated in the chart below:



Details of the objectives and the Trustee policies regarding the default investment strategy can be found in the Plan's Statement of Investment Principles ('SIP'). The SIP is attached to this statement however the key aims are set out below for ease of reference:

- The default investment strategy is designed to be appropriate for a typical member with a predictable retirement date.
- The underlying funds have been chosen with the aim of maximising long-term investment returns whilst members are a number of years from retirement but protecting against changes in annuity prices as members near retirement.
- In designing the default investment strategy, the Trustee has explicitly considered the risk and expected return characteristics of the funds used at different stages of the strategy.

Investment strategy review

The Trustee, with assistance from its investment advisers, undertook a review of the AEC / AVC investments during the period covered by this statement. The review concluded on 23 July 2019.

The review considered the quality and suitability of the investment options offered to members (specifically looking at the performance of unit-linked funds after charges, the features of the With Profits Fund members invest in, the range of investment options offered to members, liquidity and tradability and the charges on the arrangement). The review of the default investment strategy also considered whether its structure remained suitable, considering the format in which members were likely to take these benefits. The review did not include any member outcomes modelling, as there were clear identifiable trends in terms of how members accessed their money purchase funds (members are required to transfer funds out of the Plan if they wish to take advantage of the pension freedoms now permitted by legislation). The review concluded that the investment options remained suitable and therefore no changes to the investment strategy were made as a result.

Performance Monitoring

The Trustee reviews the performance of all investment options (including the default investment strategy) on a quarterly basis. These reviews took place on 6 March, 6 June, 4 September and 4 December 2019. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against benchmarks set by the investment managers.

The performance of the funds that make up the default investment strategy (before charges) over 1, 3 and 5 years to 31 December 2019 is shown below. Performance is sourced from Prudential with the exception of that of the Threadneedle Adventurous Pathway Fund benchmark, which is sourced from Threadneedle.

		Annualised performance (%) [Relative to benchmark]		
Fund name	**Performance target (before charges)**	1 year	3 years	5 years
Threadneedle Adventurous Pathway Fund	To outperform composite benchmark by 1.5% p.a. or more over a rolling three-year basis	25.2 [20.0]	9.7 [8.5]	10.9 [10.0]
Prudential Long-Term Bond Fund	To match the performance of the composite benchmark (50% FTSE Actuaries UK Conventional Gilts Over 15 Years Index & 50% iBoxx Sterling Over 15 Years Non-Gilts Index)	15.5 [0.8]	6.0 [0.4]	7.2 [0.4]
Prudential Cash Fund	To outperform the London Interbank LIBID 7-day deposit rate on a rolling three-year basis	0.8 [0.2]	0.5 [0.1]	0.5 [0.1]

Processing of core financial transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of AEC / AVC contributions, transfer of members' money purchase funds into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members/beneficiaries.

The AEC./ AVC arrangement is administered by Prudential. The Trustee has a Service Level Agreement in place with Prudential which covers all main administration tasks, including all core financial transactions. The Service Level Agreement for core financial transactions is set out in the table below:

Task	**Service Level Agreement**
Allocation of contributions	5 working days[1]
Transfers in	5 working days
Transfers out	5 working days
Fund switches	5 working days
Payment of retirement and death benefits	5 working days

[1]Prudential backdates the payment to the receipt date so it even if the contribution is not allocated until day 5, it will be invested with an effective date of day 1

Prudential reports the time taken to complete core financial transactions to the Trustee on a quarterly basis. During the period covered by this statement, Prudential completed all core financial transactions within the Service Level Agreement, with the exception of two retirements and one transfer out which were completed outside of the timescale specified in the Service Level Agreement. The Trustee considers that these were isolated incidents and were not material in the overall context of the number of core financial transactions Prudential undertook.

Prudential monitors its performance against service level targets closely and adopts a number of measures to help ensure core financial transactions are processed in a timely and accurate manner. These include:

- A dedicated contribution processing team,
- A central financial control team separate from the main administration team,
- Peer checking and authorisation of payments,
- Daily monitoring of bank accounts,
- Daily checking and reconciliation of member unit holdings.

The Trustee is satisfied that over the period:

- Prudential was operating appropriate procedures, checks and controls and operating within the agreed Service Level Agreement overall,
- There have been no material administration errors in relation to processing core financial transactions, and
- The vast majority of core financial transactions have been processed promptly and accurately.

Charges and transaction costs paid by members

The Trustee should regularly monitor the level of costs and charges borne by members through the investment funds.

These comprise:

- ***Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. The Total Expense Ratio ('TER') is the Annual Management Charge ('AMC') of a fund plus any explicit additional expenses, such as custodian and legal fees etc; and***

- ***Transaction costs ('TC'): these are not explicit and are incurred when the Plan's fund managers buy and sell assets within investment funds.***

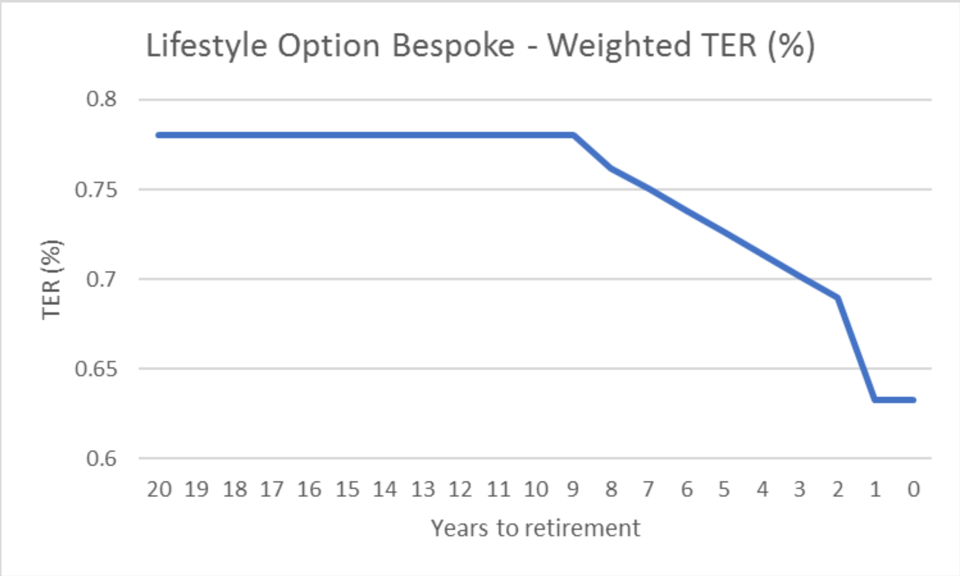
The charges and TC shown below have been provided by Prudential. There is no data missing this year.

Explicit charges

The AEC / AVC funds are not subject to the charge cap of 0.75% p.a. as these policies are not being used to satisfy the Employer's automatic enrolment duties for members.

(i) Default arrangement – Lifestyle Option Bespoke

The Lifestyle Option Bespoke has been set up as a lifestyle arrangement which means that member's assets are automatically moved between different investment funds as they approach their target retirement date. The TER that a member pays over the year depends on their term to retirement. The TER ranged from 0.63% p.a. to 0.78% p.a. over the Plan year, as shown in the line chart below.



TC ranged from 0.0% p.a. to 0.23% p.a. meaning that the total cost associated with the Lifestyle Option Bespoke was between 0.63% p.a. and 1.01% p.a. depending upon the term to retirement.

(ii) Self-select investment funds

Fund	TER (% p.a.)	TC (% p.a.)	Total (% p.a.)
Prudential All Stocks Corporate Bond	0.76	0.01	0.77
Prudential Cash[2]	0.55	0.00	0.55
Prudential Discretionary	0.78	0.12	0.90
Prudential Long-Term Bond[2]	0.66	0.00	0.66
Prudential Long-Term Gilt Passive	0.66	0.00	0.66
Prudential Long-Term Growth Passive	0.68	0.11	0.79
Prudential North America Equity Passive	0.66	0.11	0.77
Prudential UK Equity Passive	0.66	0.06	0.72
Prudential With Profits[3]	0.98	0.09	1.07
Threadneedle Adventurous Pathway[2]	0.78	0.23	1.01
Threadneedle Balanced Pathway	0.79	0.16	0.95
Threadneedle Cautious Pathway	0.81	0.13	0.94
Threadneedle European Equity	0.81	0.68	1.49
Threadneedle Property	2.32	0.11	2.43
Threadneedle UK Equity High Alpha	0.85	0.20	1.05

Notes

[2] These funds are used in the default investment strategy.

[3] The charges on the With Profits Fund are not explicit, they are taken into account when the bonus on the Fund is declared. Prudential currently estimates the AMC on the With Profits Fund is 0.8% assuming investment returns on the underlying assets are 5% p.a. Prudential has confirmed the additional expenses on this Fund are 0.18% p.a.

Illustrations to show the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future. We have taken account of the fact that the Plan has now closed to future accrual. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has decided to illustrate the following example members:

- Example member 1: the youngest member (age 37) with a retirement age of 65, a current fund value of £1,145.
- Example member 2: the average member (age 50) with a retirement age of 65, a current fund value of £22,280.

To show the impact of different levels of charges and investment returns, illustrations have been produced to demonstrate the effect of costs and charges on the following funds available through the AEC / AVC arrangements:

1. The default investment strategy, the Lifestyle Option Bespoke, which is also the most popular investment option amongst members.
2. The Prudential North American Equity Passive Fund: this fund (as well as the Threadneedle European Equity Fund) has the highest assumed investment growth rate.
3. The Threadneedle Property Fund: this fund has the highest charges.
4. The Prudential Cash Fund: this fund has the lowest charges, and the lowest assumed investment growth rate.

Notes and assumptions

Fund values shown are estimates and are not guaranteed.

Projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Inflation is assumed to be 2.5% p.a.

Starting fund values are representative of the average for the Plan.

The projected growth rates have been provided by Prudential

The growth rates, costs and charges assumed are as follows:

Investment option	Growth rate	Costs and charges
Lifestyle Option Bespoke (default and the most popular investment option)	Between 0.3% p.a. below inflation and 3.25% p.a. above inflation[4]	0.63% p.a. to 1.01% p.a.[4]
Prudential North American Equity Passive Fund (highest assumed growth rate)	4.0% p.a. above inflation	0.77% p.a.
Threadneedle Property Fund (highest charges)	1.5% p.a. above inflation	2.43% p.a.

Prudential Cash Fund (lowest assumed growth rate and lowest charges)	2.0% p.a. below inflation	0.55% p.a.

[4]depending upon term to retirement

For the Lifestyle Option Bespoke, the illustrations take into account the changing proportion invested in the different underlying funds throughout the term to retirement.

Where transaction costs were available last year, the illustrations use the average transaction costs over the last two years in line with statutory guidance to reduce the level of volatility in charges, and a floor of 0% p.a. has been used for the transaction costs if these were negative so as not to potentially understate the effect of charges on fund values over time.

Example member 1:

For the youngest member, the estimated impact of charges on accumulated fund values are shown in the table below.

Age	Estimated Fund Value							
	Lifestyle Option Bespoke		North American Equity Passive Fund		Property Fund		Cash Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
37	£1,145	£1,145	£1,145	£1,145	£1,145	£1,145	£1,145	£1,145
40	£1,294	£1,257	£1,310	£1,284	£1,282	£1,196	£1,097	£1,079
45	£1,586	£1,470	£1,641	£1,555	£1,547	£1,286	£1,022	£978
50	£1,944	£1,718	£2,055	£1,883	£1,867	£1,383	£951	£886
55	£2,383	£2,008	£2,573	£2,281	£2,254	£1,487	£886	£803
60	£2,854	£2,298	£3,221	£2,762	£2,720	£1,599	£825	£728
65	£3,128	£2,423	£4,034	£3,344	£3,283	£1,720	£768	£659

Example member 2:

For the average member, the estimated impact of charges on accumulated fund values are shown in the table below.

Age	Estimated Fund Value							
	Lifestyle Option Bespoke		North American Equity Passive Fund		Property Fund		Cash Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
50	£22,280	£22,280	£22,280	£22,280	£22,280	£22,280	£22,280	£22,280
55	£27,311	£26,043	£27,898	£26,980	£26,892	£23,959	£20,748	£20,190
60	£32,710	£29,799	£34,933	£32,672	£32,458	£25,764	£19,321	£18,295
65	£35,854	£31,425	£43,741	£39,564	£39,176	£27,705	£17,993	£16,579

Value for members assessment

The Administration Regulations require the Trustee to make an assessment of the charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" and the process of determining this for members is a subjective one. Therefore, working in conjunction with our advisers, the Trustee has developed a cost-benefit analysis framework to make an assessment as to whether our members receive good value from the Plan relative to the costs and charges they pay. The last value assessment was carried out in July 2020.

The costs have been identified as TER and TC and are included above. Although up to date cost benchmarking data is limited for schemes not used to auto-enrolment, such as the Plan, in the Trustee's adviser's experience, the charges paid by members are within the range typically seen for actively managed funds in legacy AVC arrangements (albeit towards the higher end of the range). There is no market benchmarking data available for transaction costs and they are volatile from one year to the next depending on the extent of trades within funds however a high-level assessment of the transaction costs incurred by members indicates that these appear reasonable.

The Trustee has considered the benefits of membership under the following categories: Plan governance, investments, administration and member experience, member communications and retirement support. The Trustee beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of the assessment.

Scheme governance

The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members

The Trustee takes professional advice in respect of actuarial, legal and investment matters and has a suitable governance processes in place for the AEC / AVC funds whereby core financial transactions and other key governance factors are monitored quarterly and DC issues are included in the Plan's risk register. Since Q2 2019, the Trustee has participated in the quarterly Office for National Statistics surveys.

Investments

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes

The Plan offers one lifestyle strategy and a range of self-select covering a range of risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind.

The Trustee reviews investment performance on a quarterly basis and assesses the suitability of the default investment strategy every 3 years. This assessment considers how members are likely to access their funds, though no member outcome modelling has been carried out as part of the reviews to date.

Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that Plan members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

The Trustee has a service level agreement in place with Prudential and Prudential reports performance against this on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis.

The regular review of the AEC / AVC arrangements carried out in accordance with the Occupational Pension Scheme Investment Regulations also considers Prudential's quality of administration more generally, based upon the Trustee adviser's wider experience.

Member communications

The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

The assessment concluded the Plan's member communications were in line with its peers, providing information to members online and in writing. Prudential provides statutory communications such as annual SMPI projections and retirement warm-up communications.

Retirement support

The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate options at retirement.

Members have online access to their AEC / AVC policy via the Prudential website, which also includes modelling tools. Relevant sources of information are signposted to members. The Plan rules allow members to take their AEC / AVC funds as a lump sum or as pension. Pre-1996 members can convert these funds to scheme pension on more favourable terms than those available on the open market and this option is likely to be of significant value to members.

The Trustee assessment concluded that the charges and transaction costs borne by Plan members represents value for members relative to the benefits of Plan membership.

Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustee properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The Trustee board is made up of six Trustee Directors with varying skill sets. The Chair of the Trustee is an experienced pension professional who has acted as a trustee for over 20 years across several different pension schemes. These schemes include those with DC sections and cash balance benefits.

Details of how the Trustee Directors have met the Trustee Knowledge and Understanding requirements during the period covered by this Statement are set out below.

Requirement	How the Trustee has met this
A working knowledge of the trust deed and rules	During 2019, this included work on the Company's proposal to close the Plan to future accrual and the deed of amendments required in relation to child's pensions as well as the changes required in relation to the new investment regulations.
A working knowledge of the current SIP	The Trustee updated the SIP in line with the revised investment regulations on Environmental, Social and Governance issues on 25 September 2019.
A working knowledge of all documents setting out the trustees' current policies	All Plan documentation is available to the Trustee Directors via a secure online site provided by Mercer. During the year, one of the member-nominated Trustee Directors' term of office expired. The Trustee therefore adhered to the Plan's member-nominated trustee election policy and documentation. The Trustee worked on its conflicts of interest policy, to support the conflicts of interest register that has always been in place. The Trustee has also made a number of discretionary decisions during the year in respect of payment of benefits.
That they have sufficient knowledge and understanding of the law relating to pensions and trusts	Some of the Trustee Directors have completed the Pensions Regulator's 'trustee toolkit', the remainder are working through this with a view to completing it by 31 December 2020. In 2018 the Trustee Directors did a training gap analysis which identified areas to focus on and as a

	result have organised training on these areas, including training by the Trustee's legal advisers, Eversheds, on legal aspects of general pension issues. The first of these sessions took place on 6 June 2019 with Eversheds and covered: • Overview of UK Pensions • Principles of trust law • Trustee duties • Managing potential conflicts • Trustee knowledge and understanding • Governance requirements • Regulatory framework • Resolving Disputes & Exercising Discretions • Trustee Liability and Protection • Investment duties and advice. The Chair of Trustee also undertook training on a wide range of relevant issues, as part of her role as a professional trustee.
That they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes	The Trustee Directors have individual and collective experience of investment as employees of Columbia Threadneedle and as a professional trustee. The Trustee Directors also attended investment training sessions run by Aon during the year and the Trustee's investment advisers were present of the meetings on 6 March, 6 June, 4 September and 4 December 2019.
That their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.	During the year, Aon provided investment and actuarial advice, Eversheds provided legal advice and Mercer acted as secretary to the Trustee. As a result of the training activities which have been completed by the Trustee Directors individually and collectively as a board and taking into account the professional advice available to the Trustee, I am confident that the combined knowledge and understanding of the Trustee enables it to exercise its functions properly.

Signed on behalf of the Trustee of the Threadneedle Pension Plan by the Chair of Trustees

Jacqueline Woods

Date

This document was signed and dated by Jacqueline Woods, as Chair of Trustees for the Threadneedle Pension Plan, on 28th July 2020.

The Threadneedle Pension Plan
Statement of Investment Principles

This Statement of Investment Principles covers the defined benefit and the defined contribution sections of the Threadneedle Pension Plan (the "Plan"). The defined contribution section consists of Additional Voluntary Contributions (AVCs) and Annual Employer Contributions (AECs). This Statement of Investment Principles is set out in three parts. Firstly those policies specific to the defined benefit section, secondly those specific to the AVC and AEC section, and finally the Trustee's overall policies on issues that apply to both sections.

Defined Benefit Section

Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

STRATEGY

The Trustee currently invests all of the Plan's assets with Threadneedle Pensions Limited ('Threadneedle'). The current asset allocation strategy has been chosen to meet the objective above. The Trustee will monitor the actual asset allocation and its appropriateness to meet this investment objective.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. In addition the size of the Plan and strength of the principal employer's covenant were taken into account. The Trustee's policy is to make the assumption that, over the long term, equities and other growth assets will outperform assets such as gilts, which are expected to perform more closely in line with the liabilities ('matching' assets). Hence the Trustee maintains an allocation to both growth and matching assets.

The Trustee also assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in growth asset returns, particularly relative to the Plan's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the Plan's planned asset allocation strategy the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes including private equity, property and hedge funds.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee receives quarterly reports showing the performance of the fund manager versus benchmark.

RISK

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Plan's investment strategy.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

The Trustee will, as appropriate, consider these risks in either a qualitative or quantitative manner – or both – in consultation with its advisers. A formal review is undertaken as part of each formal investment strategy review (normally triennially). In addition, the Trustee's policy is to monitor, where possible, these risks quarterly.

IMPLEMENTATION

The single fund manager of the Plan is Threadneedle. The assets are managed through an Investment Management Agreement (IMA) split into two portfolios: the Growth Portfolio, which consists of an investment in the Dynamic Real Return Fund (the DRR Fund) and the Matching Portfolio which consists primarily of bond assets. The assets are currently allocated 83% to the Growth Portfolio and 17% to the Matching Portfolio, although this will change over time as the Trustee manages the Plan's risk level. The benchmark for the DRR Fund is CPI and its outperformance target is to exceed the benchmark by 4% per annum over the medium term. The Matching Portfolio is assessed against a benchmark based on the liabilities of the Plan and has no outperformance target.

The Trustee expects Threadneedle to:

- Make decisions over the realisation and retention of investments.
- Take into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Take responsibility for voting and corporate governance in relation to the Plan's assets.

The Trustee reviews the policies of Threadneedle in relation to the above issues periodically.

Threadneedle is remunerated on an ad valorem basis. The level of remuneration paid to fund managers is reviewed periodically by the Trustee against market rates to ensure the fund managers' interests are aligned with those of the Plan.

In addition, Threadneedle pays commissions to third parties on many trades it undertakes in the management of the assets and also incurs other ad hoc costs. The Trustee receives statements setting out these costs and reviews them periodically with advice from its investment adviser. This is to ensure that the costs incurred are commensurate with the goods and services received.

Threadneedle also arranges for custody of the assets underlying the Plan's investment arrangements with appropriate custodians. The custodians provide safekeeping for all the Plan's assets and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

AVC and AEC Benefits Section

Investment Objective
In investing the assets of the Scheme in a prudent manner, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. They have taken into account members' circumstances, in particular members' attitudes to risk and term to retirement.

STRATEGY

The Scheme Investment Objective is implemented using the range of investment options set out in the Appendix.

After taking advice, the Trustee decided to make a lifestyle option available to members. The lifestyle option also operates as a default if a member does not wish to make their own selection of funds. The structure of the default fund was chosen so as to try to maximise expected long-term investment returns but to protect against changes in annuity prices as members near retirement. The lifestyle option is designed to be appropriate for a typical member with a predictable retirement date. However, the lifestyle option may not be suitable for members who unexpectedly retire early or who opt for income drawdown.

It is the Trustee policy to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee investment advisers.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than the predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash funds will provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

RISK

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Scheme. The Trustee policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of the default fund being unsuitable for the requirements of some members.

- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle option regularly.

These risks are considered as part of each normal strategy review. In addition, the Trustee measure risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

The Trustee uses Threadneedle and Prudential as the main investment managers. The managers' objectives (benchmark and performance target) and the range of funds offered are set out in the Appendix.

The managers are remunerated on an ad valorem basis. The level of remuneration paid to fund managers is reviewed periodically by the Trustee against market rates to ensure the fund managers' interests are aligned with those of the Plan.

Matters Relating to Both Defined Benefit and AVC/AEC Sections

GENERAL

For both sections it is the Trustee's policy to consider:

- A full range of asset classes, including alternative asset classes such as private equity, property and hedge funds.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class in the defined benefit section planned asset allocation strategy and for investment in the AVC/AEC section.
- The suitability of different styles of investment management and the option of manager diversification.
- The need for appropriate diversification both across asset classes and within asset classes.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

INVESTMENT MANAGER ARRANGEMENTS

The Trustee has limited influence over managers' investment practices where the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. Where the Plan's assets are held in segregated investment arrangements, the agreements in place with managers incentivises them to align their investment strategy and decisions for those mandates with the Trustee's investment policies.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandates being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the funds. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover. There is greater scope to achieve this where the Plan uses segregated portfolios.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan’s investment mandates.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATONS

In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation and where possible will behave in line with the Company's Responsible Investment Corporate Governance and Proxy Voting Principles when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustee will behave in line with the Company's Stewardship Principles where possible and expects the Fund's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Fund's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Members' Views and Non-Financial Factors

The Trustee does not explicitly take into account the views of members and beneficiaries in relation ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Governance

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

<table>
<tr><td colspan="2">Trustee
• Monitors actual returns versus Plan investment objective.
• Sets structures and processes for carrying out its role.
• Selects and monitors planned asset allocation strategy.
• Monitors direct investments.
• Selects direct investments (see below).
• Monitors and select investment advisers and fund managers.
• Makes ongoing decisions relevant to the operational principles of the Plan's investment strategy.</td></tr>
<tr><td>Investment Adviser
• Advises on all aspects of the investment of the Plan assets, including implementation.
• Advises on this statement.
• Provides required training.</td><td>Fund Manager
• Operates within the terms of this statement, as far as is practical.
• Selects individual investments with regard to their suitability and diversification.</td></tr>
</table>

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include the AVC investment vehicles. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018s

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

INVESTMENT ADVISER

Lane Clark & Peacock LLP has been selected as investment adviser to the Trustee. Lane Clark & Peacock LLP operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. Lane Clark & Peacock LLP is paid on a fixed-fee basis for certain work it undertakes for the Plan and on a time-cost basis for all other work. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

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September 2020

Appendix

Threadneedle	**Performance target**	**Benchmark Index**	**Investment Characteristics**
European Equity	To outperform its benchmark by 2.0% or more on a yearly basis.	FTSE World Europe (ex UK) Index	The fund invests primarily in Continental European equities.
Adventurous Pathway	To outperform its benchmark by 1.5% or more on a yearly basis.	Bespoke benchmark	The fund spreads its investments across UK and overseas equities.
Balanced Pathway	To outperform its benchmark by 1.5% or more on a yearly basis.	Bespoke benchmark	The fund spreads its investments across UK and overseas equities, bonds, cash and UK property.
Cautious Pathway	To outperform its benchmark by 1.0% or more on a yearly basis.	Bespoke benchmark	The fund spreads its investments across UK and overseas equities, bonds, cash and UK property with approximately 50% in equities and 50% in bonds and property.
Property	To outperform the benchmark by 1% -1.5% per year or better over rolling 3 year periods.	AREF/IPD UK Quarterly Property Fund Index weighted average	The investment strategy of the fund is to purchase units in the Threadneedle Property Pension Fund. This fund invests primarily in UK property, including retail and office, and industrial property.
High Alpha UK Equity	To outperform the benchmark by 3.5% or more per year.	FTSE All-Share Index	The fund invests primarily in UK equities.

Prudential	**Performance target**	**Benchmark Index**	**Investment Characteristics**
UK Equity Passive	To match the performance of the benchmark as closely as possible.	FTSE All-Share Index	The investment strategy of the fund is to purchase units in the M&G PP UK Equity Passive Fund. That fund invests in the shares of UK companies. The fund tracks the index by holding all of the companies which make up the FTSE 100 Index (excluding Prudential plc), together with a representative sample of the remainder of the companies in the All-Share Index.

North American Equity Passive	To match the performance of the benchmark as closely as possible.	FTSE World North America Index	The investment strategy of the fund is to provide exposure to North American equities, an asset class that is expected to provide long-term returns that are ahead of inflation.
Long Term Growth Passive	To match the performance of the benchmark as closely as possible.	n/a	The investment strategy of the fund is to purchase units in the M&G PP Long Term Growth Passive Fund. That fund invests, via other M&G PP funds, in the shares of companies around the world against a benchmark of 50% UK and 50% overseas (in fixed proportions reflecting each region's economic importance). It is a "fund of funds" and both the proportions invested in each region and investments in each region are passively managed except for emerging markets which are actively managed. The split between the UK and overseas regions may be reviewed from time to time.
Discretionary	To outperform the net median by 1.15% - 1.40% a year (before charges) on a rolling three year basis.	n/a	The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund. That fund provides a traditional balanced approach to investment, holding a mix of UK and overseas company shares, bonds, property and cash via other M&G PP funds. It is actively managed against the average asset allocation of the BNY Mellon CAPS Balanced Pooled Fund universe. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value.
Long Term Gilt Passive	To match the performance of the benchmark as closely as possible.	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	The investment strategy of the fund is to invest in British government gilts with over 15 years to maturity. The fund is passively managed, tracking movements in its benchmark. Tracking the index is achieved by fully replicating the small number of stocks in the Index.
Corporate Bond	To outperform the benchmark by 0.80% per year (before	iBoxx Sterling Non-Gilts Index	The investment strategy of the fund is to purchase units in the M&G PP All Stocks Corporate Bond Fund. This fund invests

	charges) over rolling 3 year periods.		mainly in high quality Sterling corporate bonds across the range of maturities. The fund is actively managed against its performance benchmark. The fund may also hold British government gilts and derivatives (such as options and swaps) together with limited amounts of non-sterling and high yield corporate bonds where this may prove beneficial in the shorter term.
International Bond	To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.	Barclays Global Aggregate Treasury Custom Over $3bn Index	The investment strategy of the fund is to purchase units in the M&G PP International Bond Fund. That fund invests in all the major government bond markets outside the UK with principal holdings in the US, Japan and Europe. The fund is actively managed against its benchmark. Both active stock selection and asset allocation are used to add value.
With-Profits	n/a	n/a	The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.
Pre-Retirement	To match the performance of the benchmark as closely as possible.	50% tracking movements in the FTSE Actuaries UK Conventional Gilts Over 15 Years Index and 50% aiming to outperform the iBoxx Sterling Over 15 Years Non-Gilts Index	The investment strategy of the fund is to purchase units in the M&G PP Pre-Retirement Fund. This fund invests in long dated bonds split equally between passively managed British government gilts and actively managed sterling corporate bonds. The split between government and corporate bonds may alter from time to time to reflect changing economic and market conditions.
Cash	To outperform the benchmark	London Interbank LIBID 7	The investment strategy of the fund is to purchase units in

	before charges on a rolling three year basis.	Day Deposit rate	the M&G PP Cash Fund. That fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark.

	Performance target	**Benchmark Index**	**Investment Characteristics**
Lifestyle Fund	n/a	n/a	The lifestyle fund invests proportions of the members' funds in the Threadneedle Pathway Fund, Prudential Pre-Retirement Fund and the Prudential Cash Fund. The proportions invested in each fund change automatically as the member approaches retirement such that the risk exposed to decreases.