

TOYOTA (GB) RETIREMENT BENEFITS
PLAN (1979) – DEFINED BENEFIT
SECTION
STATEMENT OF INVESTMENT
PRINCIPLES

MARCH 2022

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Toyota (GB) Retirement Benefits Plan (1979) (“the Plan”) 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 Plan and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, 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 Plan.

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

The Trustees' primary investment objective for the Plan 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 Plan.

The Trustees believe that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

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 Plan at a total scheme level as well as on a manager by manager basis.
- The approval and review of the asset allocation benchmark for the Plan.
- 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 Plan. 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 the 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.
- Advising on appropriate funds.
- Setting cashflow management policies (see Appendix 2).

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

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

Mercer makes a fund based charge. This charge covers the services specified within the Implemented Investment Consultancy Services Agreement.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis, other than performance reporting which is provided for a pre-agreed fee.

In particular, Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice, and as noted below, any discounts negotiated by Mercer with the underlying managers and these discounts are passed on in full to the Plan.

The Trustees are satisfied that this is a reasonable adviser remuneration structure for the Plan.

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

3.3 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees are a long term investor and do not look to change the investment arrangements on a frequent basis. For the invested funds, there is no set duration for the manager appointments. The Trustees will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

The assets of the Plan are invested directly with the investment managers as detailed in Appendix 1 and 3.

The underlying managers and funds invested in by the Plan are determined by the Trustees using a written instruction to the individual investment managers.

The details of each manager's mandate are set out in Appendix 3. 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 FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan. The Trustees believe that this is a reasonable basis for remunerating managers.

None of the underlying managers in which the Plan'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 Plan 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 Trustees policies as set out in this SIP.

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

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, in so far as they relate to the Plan's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Plan's liability profile and 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.

The basis of the Trustees' strategy is to invest the Plan's assets across "growth" funds comprising of assets such as UK equities, overseas equities and diversified growth funds ("DGF"), and "matching" funds comprising of assets such as bonds, gilts and liability driven investment ("LDI"). The basis for the amount in growth and matching assets are set with regard to the overall required return objective of the Plan's assets.

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

The Trustees have decided on a control range for the growth portfolio, which will be rebalanced periodically if outside the limits. Any investment or disinvestment will be used to move the growth portfolio closer to the benchmark allocation.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and security-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 Plan.

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 matching portfolios.
- Determining the allocation to asset classes within the growth and matching portfolios.
- Determining the Plan 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 Plan is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Plan's assets are invested wholly via pooled vehicles.

The Trustees are permitted to invest across a wide range of asset classes, including the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash

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

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

In setting the investment strategy, the Trustees have prioritised assets which provide protection against movements in the Plan's liability value and also assets which provide diversification across a wide range of investment markets and considers the financially significant benefits of these factors to be paramount.

However, the Trustees understand that they must aim to consider all financially relevant factors that have the ability to impact the financial performance of the Plan'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 Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process; and that ESG risks are identified and avoided or mitigated, as best as possible.

The Trustees believe that investing with a manager who approaches investments in a responsible way, and takes account of ESG-related risks, will 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. The Trustees are aware of its investment managers' approaches to ESG factors with respect to their selection of investments and is satisfied that a responsible approach, which is consistent with the long-term financial interests of the Plan and its members, is undertaken.

However, 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 Plan invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

As noted earlier, the Plan's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment manager.

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 Plan members are its first priority when choosing investments.

It has decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy.

4.6 STEWARSHIP: CORPORATE GOVERNANCE AND VOTING POLICY

The Plan is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

The Trustee notes that the investment managers' corporate governance policies are available on request and on their respective websites.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Plan's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

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

Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustees. If the Trustees have any concerns, they will raise them with Mercer, verbally or in writing.

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, and by appointing Mercer to monitor and advise on replacement of any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Plan over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plan's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

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 Plan's assets.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision-making process.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the Investment Manager and the Investment Adviser. As a result part of the rating process of the Investment Adviser and decision making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Plan'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 Plan may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For currency hedged funds, the Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.
- For funds where the currency risk is separately managed by the manager, the Trustees acknowledge that currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge.

Interest Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments, and particularly liability driven investment (LDI) instruments, is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Other Price Risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

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

6.2 INVESTMENT MANAGERS

The investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustees utilise Mercer's forward-looking manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management.

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

Some mandates are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustees will review the appropriateness of using actively managed funds as part of the wider monitoring of the Plan's managers.

The majority of the Plan's investments are made through pooled investment vehicles, and as such the Trustees accept that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mercer, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against 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 reviews the performance of the Plan's individual funds against their benchmarks and of the Plan's assets in aggregate against the Plan's strategic benchmark. The Trustees' focus is primarily on long term performance but short term performance is also reviewed. The Trustees may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to Mercer's rating of the manager.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may initially ask the manager to review their fees instead of terminating the appointment.

6.3 PORTFOLIO TURNOVER COSTS

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

The Trustees do not currently actively monitor portfolio turnover costs for the funds in which the Plan is invested, Investment manager performance is reported net of all fees and costs, including transaction costs, and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

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

Given that the Plan 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 Plan.

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 Plan is invested and will include further information about this when next updating the SIP.

The Trustees do not currently actively monitor the portfolio turnover costs of the assets for members' Additional Voluntary Contributions.

6.4 INVESTMENT MANAGER TURNOVER

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

For open-ended funds, the Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustees are no longer comfortable that the manager can deliver the mandate.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Plan provides a facility for members to pay AVCs to enhance their benefits at retirement. The Trustees objective is to provide a range of funds which will enable members to achieve suitable long term returns consistent with their reasonable expectations.

It is the view of the Trustees that the AVC facilities available to members should include access to the following types of investment strategy.

- An asset mix which allows members to obtain access to real returns which will offset the adverse effects of inflation. This is achieved through a high exposure to equities, and is particularly appropriate for young members, whose long-term perspective allows for acceptance of volatility in relation to investment returns (e.g., changes in market values, or variations in rates of bonus declarations) over the period of investment.
- A suitably diversified asset mix to protect members from poor investment returns from any one particular asset category.
- A fund with capital guarantees, to enable members to protect their AVCs from downside volatility, for example in the years immediately prior to expected retirement.
- A fund whose value is expected to vary with the price of annuities, for members who wish to protect the annuity purchasing power of their AVCs prior to retirement.

The Trustees are of the opinion that the type and range of facilities described above are suitable to provide for the requirements of Plan members in any of the circumstances likely to arise.

DB members are given the choice of purchasing benefits on a money purchase basis with Legal and General Assurance Pension Management (“L&G”). However, there are also three external AVC providers within the Plan, namely, AVIVA , Friends Life and Royal London.

8 CODE OF BEST PRACTICE

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

The Trustees have received training in relation to this guidance and are satisfied that the investment approach adopted by the Plan is consistent with the guidance so far as it is appropriate to the Plan's circumstances.

The Trustees meet with its investment adviser on a regular basis, monitoring developments both in relation to the Plan's circumstances and in relation to evolving guidance, and will revise the Plan's investment approach if considered appropriate.

9 COMPLIANCE

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

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

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on

Signed on behalf of the Trustees by

On

Full Name

Position

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Plan's strategic asset allocation benchmark is set out below:

Fund	Allocation	Control Ranges +/-
Growth Assets	50.0%	5.0%
LGIM UK Equity Index Fund	7.0%	2.5%
LGIM North America Equity Index – GBP Hedged Fund	7.0%	2.5%
LGIM Europe (ex UK) Index – GBP Hedged Fund	2.8%	1.5%
LGIM Japan Equity Index – GBP Hedged Fund	2.3%	1.0%
LGIM Asia Pacific (ex Japan) Developed Index – GBP Hedged Fund	3.4%	1.5%
LGIM World Emerging Markets Equity Index Fund	2.5%	2.0%
Nordea Diversified Return Fund	25.0%	11.0%
Matching Assets	50.0%	5.0%
LGIM Core Plus Fund	20.0%	10.0%
LGIM 2060 Leveraged Gilt Fund	5.6%	-
LGIM 2037 Leveraged Index Linked Gilt Fund	2.5%	-
LGIM 2042 Leveraged Index Linked Gilt Fund	3.9%	-
LGIM 2047 Leveraged Index Linked Gilt Fund	7.0%	-
LGIM 2055 Leveraged Index Linked Gilt Fund	6.5%	-
LGIM 2068 Leveraged Index Linked Gilt Fund	4.6%	-

Totals may not sum due to rounding

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

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Cashflow Policy

Where possible, cash outflows will be met from cash balances held by the Plan and from income from the Plan's investments in order to minimise transaction costs. Where the investment income is insufficient to meet these requirements, monies will be raised through the sale of assets from the Plan's portfolio in such a way as to move the portfolio closer to the strategic asset allocation, subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required.

Similarly, where cash inflows are received, monies will be invested in such a way as to move the portfolio closer to the strategic asset allocation, unless market conditions suggest otherwise.

Future contributions and disinvestments will be invested or disinvested in a pragmatic way in order to maintain the overall Plan strategic asset allocation, as set out in Appendix 1. LDI funds will not be for cashflow purposes without a specific written instruction from the Trustees.

Rebalancing Policy

The Plan's assets target a strategic asset allocation consisting of growth and bonds assets, as detailed in Appendix 1. Should the strategic asset allocation fall outside of the 5% control range for two consecutive quarters, the Trustees will rebalance the Plan's assets back to the strategic asset allocation benchmark (as detailed in Appendix 1).

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Plan invests with the following managers:

- Nordea Asset Management (“Nordea”)
- Legal and General Investment Management (“LGIM”)

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

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Growth – Multi Asset				
Nordea Diversified Growth Fund	Three month GBP LIBOR	To achieve returns equivalent to cash +3.3% p.a. net of fees, over a rolling 3 year investment horizon	Daily	Level 2
LGIM UK Equity Index Fund	FTSE All Share Index	Track the benchmark to within +/- 0.25% p.a. for two years in three	Weekly	Level 2
LGIM North America Equity Index – GBP Hedged Fund	FTSE AW Developed North America Index – GBP Hedged	Track the benchmark to within +/- 0.5% p.a. for two years in three	Weekly	Level 2
LGIM Europe (ex UK) Index – GBP Hedged Fund	FTSE AW Developed Europe (ex UK) Index – GBP Hedged	Track the benchmark to within +/- 0.5% p.a. for two years in three	Weekly	Level 2
LGIM Japan Equity Index – GBP Hedged Fund	FTSE AW Japan Index – GBP Hedged	Track the benchmark to within +/- 0.5% p.a. for two years in three	Weekly	Level 2
LGIM Asia Pacific (ex Japan) Developed Index – GBP Hedged Fund	FTSE AW Developed Asia Pacific (ex Japan) Index – GBP Hedged	Track the benchmark to within +/- 0.75% p.a. for two years in three	Weekly	Level 2
LGIM World Emerging Markets Equity Index Fund	FTSE AW All Emerging Markets Index	Track the benchmark to within +/- 1.5% p.a. for two years in three	Weekly	Level 2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Active				
LGIM 2060 Leveraged Gilts Fund	Composite LDI benchmark*	To provide hedging by offering interest rate and inflation protection at the respective maturity date targeted (i.e. year 2040)	Weekly	Level 2
LGIM 2037 Leveraged Index Linked Gilt Fund	Composite LDI benchmark*	To provide hedging by offering interest rate and inflation protection at the respective maturity date targeted (i.e. year 2040)	Weekly	Level 2
LGIM 2042 Leveraged Index Linked Gilt Fund	Composite LDI benchmark*	To provide hedging by offering interest rate and inflation protection at the respective maturity date targeted (i.e. year 2040)	Weekly	Level 2
LGIM 2047 Leveraged Index Linked Gilt Fund	Composite LDI benchmark*	To provide hedging by offering interest rate and inflation protection at the respective maturity date targeted (i.e. year 2040)	Weekly	Level 2
LGIM 2055 Leveraged Index Linked Gilt Fund	Composite LDI benchmark*	To provide hedging by offering interest rate and inflation protection at the respective maturity date targeted (i.e. year 2040)	Weekly	Level 2
LGIM 2068 Leveraged Index Linked Gilt Fund	Composite LDI benchmark*	To provide hedging by offering interest rate and inflation protection at the respective maturity date targeted (i.e. year 2040)	Weekly	Level 2
LGIM Core Plus Fund	iBoxx £ Non-Gilt Index	To outperform the benchmark by 1.15% p.a. over a rolling three year period (gross of fees)	Weekly	Level 2

* *Weighted gilt return + weighted 7 days LIBID – weighted (repo rate – spread (dealing cost))*.

Mercer will monitor the investment managers. If one of the managers is downgraded by Mercer's Manager Research Team, the Trustee will review and replace that manager, with the assistance of Mercer.

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

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 Managers and custodian (if required).
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser.
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement.
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis.

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles.
- Production of independent performance monitoring reports.
- Advising the Trustees, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested.
 - How any changes in the investment managers' organisations could affect the interests of the Plan.
 - How any changes in the investment environment could present either opportunities or problems for the Plan.
- 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.
- Advising on the investment and disinvestment of cashflows.

INVESTMENT MANAGERS

As noted in this statement, the Trustees have appointed investment managers upon the advice of Mercer.

The investment managers' responsibilities include the following:

- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan 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.

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan.
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall.
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels.

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due.
- Paying benefits and making transfer payments.
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions.

