

THE PENSION SCHEME FOR THE ROYAL COLLEGE OF MIDWIVES STATEMENT OF INVESTMENT PRINCIPLES

OCTOBER 2024

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by Trustees of The Pension Scheme for the Royal College of Midwives (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their Investment Adviser, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Scheme.

The 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 Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the sponsoring employer's ability and/or willingness to continue to support the Scheme.

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on an on-going funding basis
- To minimise risk in achieving and maintaining a 100% funding level on an on-going funding basis subject to acceptable affordability
- To pay due regard to the interests of the Sponsoring Employer in relation to the funding of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

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 Trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

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

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total Scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the Investment Adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Liaising with Mobius Life to determine funds and investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) 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 cashflows (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.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

Section 3.3 describes the responsibilities of the investment managers of the Scheme.

Mercer makes a fund based charge which covers the services as specified within the Implemented Investment Consultancy Services Agreement (ICA). Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

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

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

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

3.3 ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. After considering appropriate investment advice, the Trustees have decided to invest the Scheme assets through the Mobius Life platform (the "Platform").

The underlying managers and funds invested in by the Scheme are determined by the Trustees using a written instruction to Mobius who will arrange for any changes to the investment arrangements to be implemented.

The Trustees look to their investment adviser for their forward looking assessment of an investment manager's ability to deliver upon its stated objectives over a full market cycle. This view will be based on the adviser's assessment of the investment manager's idea generation, portfolio construction, integration of Environmental, Social and Governance (ESG) factors, implementation and business management, in relation to the particular investment that the Scheme invests in. The investment adviser's manager research ratings assist with due diligence and monitoring of the Scheme's investment managers. These ratings are used in decisions around selection, retention and removal of manager appointments.

If the investment objective for a particular investment manager changes, the Trustees will review the Scheme's appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. As the Scheme invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but believe appropriate mandates can be selected to align with the overall investment strategy.

The underlying investment managers and pooled funds invested in by the Scheme are determined by the Trustees using a written instruction to Mobius. The pooled funds held are open-ended vehicles and the Trustees expect to retain them unless:

- There is a strategic change to the overall investment strategy that no longer requires exposure to that asset class or manager; or
- The investment manager appointed has been reviewed and the Trustees decided to terminate the mandate

The details of each investment 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 Platform and the investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. None of the investment managers, currently appointed by the Scheme, receive a performance based fee. The Trustees believe that this is a reasonable basis for remuneration.

The Trustees consider the method of remunerating investment managers to be 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, the Trustees believe 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 Platform or investment managers with which the Scheme invests, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each pooled fund's stated characteristics.

The Trustees are therefore satisfied that this the most appropriate basis for remunerating the Platform and the underlying investment managers and is consistent with the Trustees policies as set out in this Statement.

3.4 SUMMARY OF RESPONSIBILITIES

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

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as equities, diversified growth funds ("DGF") and multi-asset credit ("MAC"), and a "stabilising" portfolio, comprising of assets such as bonds, liability driven investments ("LDI") and cash. The basis of the split between these two portfolios is set with regard to the overall required return objective of the Scheme's assets, which is determined by the funding objective and current funding level.

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

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.

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

4.2 INVESTMENT DECISIONS

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

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, 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

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustees 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 the Platform and 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 Scheme and its members, is undertaken.

The Trustees will also consider the investment advisers assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' own beliefs. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

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

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

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

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

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustees define a significant vote as one that is linked to the Scheme's stewardship priorities/themes. A vote could also be significant for other reasons, e.g. due to the size of holding. Given the nature of the Scheme's holdings, this is unlikely to be a material consideration for the Trustees.

In determining significant votes, The Trustees consider a significant vote as any vote relating to:

- Climate Change: including low-carbon transition and physical damages resilience;
- Human Rights: including modern slavery, pay & safety in the workforce and supply chains and abuses in conflict zones;
- Diversity, Equity and Inclusion: including inclusive & diverse decision-making

4.7 STEWARDSHIP

The Trustees have given the appointed investment managers full discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK

Corporate Governance Code and UK Stewardship Code. The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

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 monitoring and replacing 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 Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

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

Environmental Risk

- This is the risk that improper, or inadequate, consideration of environmental factors could lead to adverse investment performance and / or reputational damage to the Scheme.
- The day to day management of environmental risk is the responsibility of the companies in which the Scheme's underlying managers have invested. Given the Trustees are invested in pooled funds the Trustees will rely on the investment managers to ensure that these companies have sufficient procedures and processes in place in order to mitigate this risk as far as is reasonably possible.

Social Risk

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and externally to a company, e.g. internal factors could include workplace health and safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day to day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the investment manager to ensure that these

companies have sufficient procedures and processes in place in order to mitigate these risks as far as is reasonably possible.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

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

Collateral Adequacy Risk

- Derivative instruments are used within the Scheme's Liability Driven Investment portfolio to hedge the interest rate and inflation sensitivity of the Scheme's liabilities – this involves the use of leverage and gives rise to the risk that small changes in underlying conditions can produce larger changes in the value of the Scheme's investments than if only physical assets were held.
- Collateral adequacy risk arises if underlying conditions negatively impact the Scheme's Liability Driven Investment portfolio to the extent that additional assets will need to be used to support the use of derivatives. This risk is mitigated by maintaining an appropriate level of cash and other liquid assets in a collateral waterfall.

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 credit risk that the Scheme's investment managers take.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

- 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 and Inflation Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest rates and expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest rate and inflation 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 derivatives, 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. The Trustees have also set objectives to assess the performance of its investment adviser against. Such objectives were set out in the document entitled 'Investment Consultancy Objectives' and were signed in November 2022. The objectives will be reviewed at least triennially with the investment adviser assessed against the objectives on an annual basis.

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 the investment adviser's forward-looking manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on the investment adviser's assessment of the investment manager's idea generation, portfolio construction, implementation and business management.

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

Some mandates are actively managed and the investment 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 Scheme's investment managers.

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

The Trustees receive annual monitoring reports on the performance of the underlying investment managers from their investment adviser, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the managers stated benchmark (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 Scheme's individual funds against their benchmarks and of the Scheme's assets in aggregate against the Scheme'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

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs relate to the costs incurred as a result of the buying, selling, lending or borrowing of investments.

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

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

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

7 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 is satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

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

8 COMPLIANCE

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

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

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

Signed on behalf of the Trustees by		
On		
Full Name		
Position		

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	50.0%	
Growth – Equities	20.0%	+/- 5.0%
Growth – Multi Asset	20.0%	+/- 5.0%
Growth – Multi Asset Credit	10.0%	+/- 5.0%
Stabilising Assets	50.0%	
LDI – Real	22.5%	+/- 5.0%
Gilts – Fixed Interest	13.5%	+/- 5.0%
Corporate Bonds	10.0%	+/- 5.0%
Cash	4.0%	-
Total	100.0%	

The asset allocation will be monitored by Mercer so as to maintain it within the guideline ranges.

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

Where possible, cash outflows will be met from cash balances held by the Scheme and utilising income from the Scheme's investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back in line with the strategic allocation and guideline ranges, as set out in Appendix 1. LDI funds will not be used for cashflow purposes without a specific written instruction from the Trustees.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme's cashflow requirements.

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

APPENDIX 3: INVESTMENT MANAGER INFORMATION

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

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency
LGIM Global Equity Fixed Weights (50:50) Index Fund	Composite index: 50% UK, 50% overseas.	To provide diversified exposure to the UK and overseas equity markets by tracking the benchmark. Overseas asset distribution is fixed with 17.5% in North America, 17.5% in Europe (ex-UK), 8.75% in Japan, 6.25% in Asia Pacific (ex-Japan)	Daily
Nordea Diversified Growth Fund	SONIA	To achieve returns above the benchmark +3.3% p.a. net of fees, over rolling 3 year periods	Daily
M&G Total Return Credit Investment Fund	SONIA	To outperform the benchmark, gross of fees, by 3%-5% p.a. over a full market cycle (defined as 5 years)	Daily

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency
Columbia Threadneedle Real Dynamic LDI Fund	The liability profile of a typical UK DB pensions scheme consisting of gilt and swaps benchmarks	To provide hedging by offering interest rate and inflation protection which reflect the liability profile of a typical UK DB pension scheme	Daily
LGIM All Stocks Gilt Index Fund	FTSE Actuaries UK Conventional Gilts All Stocks Index	To track the benchmark to within +/- 0.25% p.a. for two years out of three	Daily
LGIM Active Corporate Bond Over 10 Year Fund	Markit iBoxx GBP Non-Gilts Over 10 Years Index	To provide returns exceeding the benchmark by 0.75% p.a. gross of fees over a 3 year rolling period	Daily
LGIM Sterling Liquidity Fund	SONIA	To provide diversified exposure and a competitive return in relation to the benchmark	Daily

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

For avoidance of doubt, this Statement 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 Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the Investment Managers' organisation could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

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

The investment managers' responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

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

ADMINISTRATOR

The Administrator's responsibilities include the following:

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