

**WILLIAMS MOTOR CO. (HOLDINGS)
LIMITED RETIREMENT BENEFITS
PLAN
STATEMENT OF INVESTMENT
PRINCIPLES**

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Williams Motor Co. (Holdings) Limited Retirement Benefits Plan (“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.

The Plan operates both defined benefit (“DB”) and defined contribution (“DC”) sections. It is a hybrid arrangement; some members are subject to a defined benefit underpin (“underpin members”), namely GMP in respect of service before 6 April 1997, and some members have DC only benefits (“DC members”). A small number of underpin members may require a top-up to their defined contribution fund at retirement from the Plan’s unallocated funds for the defined benefit underpin to be provided.

2 INVESTMENT OBJECTIVES

2.1. DB SECTION

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 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.

2.2. DC SECTION

The Trustees aim to provide suitable investment options that are aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy. They recognise that in a defined contribution arrangement, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

Details of the default approach the Trustees have taken to meet these investment objectives are set out in Section 4 of this Statement.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 5 of this Statement. To help mitigate the most significant of the risks, the Trustees have:

- made a lifestyle strategy available as a default solution, which transitions members' investments from higher risk investments to lower risk investments as members approach retirement; and,
- offered a range of self-select funds across various **asset** classes.

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

The items set out in this Statement are in relation to what the Trustees deem as 'financially material considerations' for the Plan (set out in Section 4). The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members' age and when they expect to retire. It is for this reason that the default is a lifestyle strategy.

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 this 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 total Plan level and manager by manager
- The approval and review of the asset allocation benchmark for the Plan
- The compliance of the investment arrangements with the principles set out in this 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.

DB section

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
- Selecting and replacing investment managers
- 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.

Mercer is remunerated by a fund based charge subject to a minimum fixed fee, 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.

Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice. The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Plan.

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

DC section

Mercer provides services in relation to the DC section as and when required by the Trustees. These services may include:

- Setting of investment objectives
- Determining investment strategy and structure of the default strategy
- Advising on appropriate member fund choices

These services will be remunerated primarily on a time-cost basis.

3.3. ARRANGEMENT WITH INVESTMENT MANAGERS

The Trustees are a long term investor and they do not look to change the investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement.

DB Section

The Trustees, after considering appropriate investment advice, have invested the assets of the DB Section through a Trustee Investment Policy (TIP) with Mobius Life Limited ("Mobius"). The Trustees invested with Mobius in October 2014.

Mobius is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and PRA.

The Mobius TIP facilitates investment into a range of underlying funds managed by third party investment managers. All of the underlying investment managers used by the DB Section are authorised and regulated by the PRA, the FCA or both.

The underlying investment managers utilised by the Trustees through the Mobius platform are chosen based on advice from the investment adviser. This is based on the investment adviser's view of their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees only invest in pooled investment vehicles, and therefore accept that they cannot specify the risk profile and return target of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

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. Details of the funds used by the DB Section are set out in Appendix 1. If the investment objective for an investment manager changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

If a manager is significantly downgraded by Mercer's Manager Research Team ("MMRT"), the investment adviser will advise the Trustees and they may replace that manager with a suitable alternative.

DC Section

The DC assets are held on the Scottish Widows platform. Scottish Widows is authorised by the PRA and regulated by the FCA and PRA.

Scottish Widows provide a range of funds which the Plan invests in. The appointments of the underlying investment managers are based on their capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The assets in are all held in pooled funds and therefore, the Trustees accepts that it cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

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

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 underlying

investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The Trustees intend to review the suitability of their DC investments on a periodic basis. An appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.

Details of the funds used by the DC Section are set out in Appendix 1.

Remuneration

Mobius and 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 the most appropriate 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 decision to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decision 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 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 is the most appropriate basis for remunerating 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 Plan's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

DB Section

The Trustees have determined their investment strategy after considering the Plan'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 Plan's assets between a "growth" portfolio, comprising assets such as diversified growth funds, and a "stabilising" portfolio, comprising assets such as gilts, index-linked gilts and UK equity-linked gilts. The growth-stabilising allocation is set with regard to the overall required return objective of the Plan's assets, which is determined by the funding objective and current funding level.

The Trustees regard the basic distribution of the assets to be appropriate for the Plan's objectives and liability profile. They have established a benchmark allocation to each asset class within each 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.

DC Section

The Trustees have adopted a lifestyle strategy as the default option for the DC section. The strategy is particularly aimed towards members who will withdraw their 25% tax-free cash and purchase an annuity with their remaining savings. Members of the Plan who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustees with the advice of their investment adviser.

Default investment strategy

The Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified in Section 5. This is achieved by using a lifestyle strategy.

In determining the investment strategy, the Trustees have explicitly considered the trade-off between risk and expected returns. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age as well as their expected retirement date.

The Plan has a default lifestyling arrangement in place where members are initially 100% invested in the Scottish Widows (SW) Mixed Fund. When members are 5 years away from their chosen retirement age, their assets begin to switch monthly so that when they reach retirement they are 75% invested in the SW Pension Protector Fund and 25% in the SW Cash Fund.

The Trustees are permitted to invest across a wide range of asset classes. Further detail of this can be found in Section 4.3 of this Statement.

Details of the funds used in the default investment strategy are set out in Appendix 1.

The default lifestyle is designed to provide members with an investment strategy that has the potential for growing their pension fund in the early years. As they get closer to retirement, exposure to riskier assets is reduced whilst retaining some opportunity for growth but with greater emphasis on protecting members' investments from potential stock-market falls. The strategy is particularly aimed towards members who will withdraw their 25% tax-free cash and purchase an annuity with their remaining savings.

All members currently invest via the default option.

Self-select funds:

The Trustees also offer members a suitable range of funds as an alternative to the lifestyle strategy. The self-select fund range consists of 130 funds available on the Scottish Widows platform.

The range of investment options allows members to achieve adequate diversification and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

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 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 (both DB and DC sections)
- Determining the split between the growth and the stabilising portfolios (DB section)
- Determining the allocation to asset classes within the growth and stabilising portfolios (DB section)
- Determining the Plan benchmark (DB section)
- Reviewing the investment objectives and strategic asset allocation (DB section)
- Determining investment strategy and structure of the default strategy (DC section)
- Advising on appropriate member fund choices (DC section)

Tactical Investment Decisions

These decisions may be made in relation to the DB section only. They 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 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
- Equity-linked gilts
- 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 Plan 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 recognise that there are various risks that the Plan is exposed to and recognises that these risks may be financially material to the Plan. The Trustees' policy on the risk management over the Plan's anticipated lifetime is covered in section 5.

The Trustees have received training on Responsible Investment and recognise that environmental, social and corporate governance (ESG) factors, including but not limited to climate change, can influence the investment risk and return outcomes of the Plan's portfolio. It is therefore in the Plan's (and members') best interests that these factors are taken into account within the investment process.

As noted earlier, the Plan's assets are invested in pooled funds and therefore have very limited influence over the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. They have however reviewed the ESG policies of their managers and are comfortable with the way in which ESG is embedded in the management of their funds. The Trustees will review these policies on a regular basis.

4.5. NON-FINANCIAL CONSIDERATIONS

The Trustees have determined that the financial interests of the Plan's members are the first priority when choosing investments. They have therefore decided not to consider non-financial considerations, such as member views, when setting the Plan's 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 Plan'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 Plan's membership.

The MMRT receive regular reporting from the underlying investment managers / funds which include information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund. If required, the MMRT will raise any concerns directly with the investment manager.

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

4.7. STEWARDSHIP

The Trustees, in conjunction with their advisers, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. In particular, the Trustees will:

- Monitor the performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time periods will be considered, the focus will be on the medium to long-term performance of the investment manager / fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund would be replaced with a suitable alternative;
- Monitor the performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustees must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- Monitor the level of risk on a regular basis to ensure that the Plan is not undertaking an excessive level of risk and that these risks are balanced appropriately. It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements;
- Review the ESG and Stewardship policies of the underlying investment manager on a regular basis. As noted earlier, the Trustees recognise that its ability to influence the stewardship policies of the underlying investment manager is limited given their investment in pooled funds. As such, any changes to the Trustees' view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

5 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Plan's investments, including those set out below. 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.

The Trustees recognise that in a DC arrangement, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

Broadly speaking, the main types of investment risk can be identified, as noted below:

Risk	Description	How is the risk monitored and managed?
Risks affecting both the DB and DC sections of the Scheme		
Inflation Risk	<p>For the DB section, this is the risk that an investment's value will change due to a change in the level of expected inflation. This affects debt instruments more directly than growth instruments. The Trustees recognise that the Plan's liabilities are exposed to a significant level of inflation risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of inflation risk.</p> <p>For the DC section, this is the risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).</p>	<p>DB:</p> <p>The Trustees acknowledge that these risks are mostly delegated to the investment managers. The Trustees will however ensure that they are comfortable with the amount of risk that the Plan's investment managers take and will ensure assets are invested in a diverse portfolio across various markets.</p>
Currency Risk	<p>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.</p>	<p>DC:</p> <p>The Trustees make available a range of funds across various asset classes. The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.</p>
Credit Risk	<p>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.</p>	

Other Price Risk	This is the risk that principally arises in relation to the growth portfolio, which invests in equities and diversified growth funds.	
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 stabilising assets more directly than growth assets. The Trustees recognise that the Plan's liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk.	The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.
Environmental and social and governance ("ESG") risks	This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Plan's assets. These risk factors can have a significant effect on the long-term performance of the assets the Plan holds.	Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.
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 through the quarterly performance updates provided by Mercer. If a manager is significantly downgraded by Mercer's Manager Research Team ("MMRT"), the investment adviser will advise the Trustees and they may replace that manager with a suitable alternative.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

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.
DB-specific risks		
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 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.
Solvency Risk	The risk that the Scheme will be unable to meet its liabilities in the long-run.	<p>Measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.</p> <p>The risk is managed by setting a Plan-specific strategic asset allocation with an appropriate level of risk.</p>
DC-specific risks		
Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	<p>The Trustees have made available a lifestyle strategy which increases the proportion of assets that are more closely aligned with how they expect members to use their pots at retirement.</p> <p>The default is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile on an absolute basis.</p>

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. In order to do so, the Trustees will consider the objectives it set for its investment adviser in the document entitled "Strategic Objectives for Investment Consultancy Services" which was signed and formally adopted by the Trustees in December 2019.

6.2. INVESTMENT MANAGERS

The Trustees receive an annual monitoring report for the DB section on the performance of the underlying investment managers from Mercer, which present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance. Regular valuations are also provided by Mobius Life.

The Trustees will review the investment manager fees as part of the annual Value for Money assessment.

The Trustees have the role of replacing the underlying investment managers where appropriate. They take a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by consultation with the Trustees investment advisers, Mercer, where there are significant reductions in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long-term.

Changes will be made to the underlying managers however if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

6.3. PORTFOLIO TURNOVER COSTS

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

The Trustees do not currently monitor portfolio turnover costs for the funds in which the DB and the DC section of the Plan is invested.

The Trustees are 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.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Trustees hold assets invested separately from the main fund with The Prudential Assurance Company securing additional voluntary contributions on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held to their account and the movements in the year.

8 CODE OF BEST PRACTICE

DB Section:

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

The Trustees receive investment advice which ensures that the principles contained within this guidance are applied to the Plan as far as it is relevant to the Plan's circumstances.

The Trustees, monitor 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.

DC Section:

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to improve DC schemes. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places a greater than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>



When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

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	23/9/20	23/9/20
Full Name	GUY ADAMS	JOHN PENNEY
Position	MANAGING DIRECTOR	DIRECTOR OF FINANCE

APPENDIX 1: ASSET ALLOCATION BENCHMARK

DB Section:

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

Asset Class	Strategic Allocation
Growth Assets	
Diversified Growth	50.0%
Stabilising Assets	
Gilts	17.0%
Index-Linked Gilts	2.0%
UK Equity-Linked Gilts	31.0%
Total	100.0%

Note: The above strategy assumes that inflation is below 3% and is reflective of the Trustees view that inflation will decrease. The proposed strategy should be revisited if this view changes.

DC Section:

The Plan's Defined Contribution assets are held in a default life styling arrangement with Scottish widows. The default funds are set out below:

Fund	Objective
SW Mixed Fund	The fund aims to achieve long-term growth by investing in a mixed portfolio of UK and overseas company shares, fixed-interest stocks, index-linked stocks, property and cash deposits. The fund is likely to invest mainly in company shares and property
SW Pension Protector Fund	The fund invests mainly in long-dated UK fixed interest securities.
SW Cash Fund	The fund aims to provide long-term growth consistent with high levels of capital security by investing mainly in short-term securities.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows from the DB section will be met from cash balances held by the Plan in order to minimise transaction costs. Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Plan's central benchmark asset allocation, as set out in Appendix 1.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Plan'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 Plan's Defined Benefit assets are held on an investment platform provided by Mobius Life Limited. The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Diversified Growth				
Threadneedle Multi Asset Fund	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. net of fees	Daily	(b) / 2
Pictet Multi-Asset Fund	3 Month LIBOR	To outperform the benchmark by 4.0% p.a. net of fees	Daily	(b) / 2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Liability Driven Investments				
F&C UK Equity-Linked Gilts	100% FTSE 100 Index 75% FTSE A Gilts Over 15 Year Index Minus 75% LIBID 7 Day Index	To provide growth by combining exposure to UK equities with UK fixed-interest gilts	Daily	(b) / 2
LGIM All Stocks Gilts Index Fund	FTSE A Government All Stocks Index	To track the benchmark to within +/- 0.25% p.a. for two years out of three	Daily	(b) / 2
LGIM Over 5 Year Index-Linked Gilts Index	FTSE A Over 5 Year Index	To track the benchmark to within +/- 0.25% p.a. for two years out of three	Daily	(b) / 2

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the 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 Plan'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 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

INVESTMENT MANAGERS

As noted in this SIP, the Trustees, after considering appropriate investment advice, have appointed investment managers to manage the assets of the Plan. The DB and DC assets are held on the Mobius Life Investment Platform and Scottish Widows platform, respectively.

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.