STATEMENT OF INVESTMENT PRINCIPLES

for the

LEONI UK Pension Scheme

May 2021

1. Introduction

1.1 What is the purpose of this Statement of Investment Principles?

This Statement of Investment Principles ("SIP") sets out the policy of LEONI Pension Trustees Limited ("the Trustee") on various matters governing decisions about the investments of the LEONI UK Pension Scheme ("the Scheme") .

1.2 Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Scheme's investment consultants and actuaries, and also Peter Dreide, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments, the need for diversification, given the circumstances of the Scheme and the principles contained in this SIP.

LEONI Wiring Systems UK Limited ("the Employer") has been consulted on the SIP as required by the Act. The investment managers of the Scheme have been given the opportunity to comment on a draft of the SIP and their comments have been incorporated into this final version. The investment managers are required to carry out their investment responsibilities in a manner consistent with this SIP.

1.3 What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (ie "the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (ie "the Regulations") and the Pension Regulator's guidance for defined benefit pension schemes (March 2017).

The Scheme's assets are held in trust by the Trustee. The investment powers of the Trustee are set out in the Scheme's legal documentation.

The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

2 What is the Trustee's overall investment objectives?

The Trustee's objectives are that:

- the Scheme should be able to meet benefit payments as they fall due;
- that the expected return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level. What the Trustee determines to be an appropriate level of risk is set out in Appendix A; and
- that the Scheme's funding position (ie the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level on a technical provisions basis. The Trustee is aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme. In particular, the Trustee has taken into account the funding

requirements detailed in the Occupational Pensions Scheme (Scheme Funding) Regulations 2005.

3 What risks do the Trustee consider and how are these measured and managed?

When deciding how to invest the Scheme's assets, the Trustee considered a wide range of risks, including, but not limited to, those set out in Appendix A. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

4 Summary of the Scheme's investment strategy

4.1 How was the investment strategy determined?

The Trustee, with the help of its investment consultants and in consultation with the Employer, undertake regular reviews of the investment strategy of the Scheme, taking into account the objectives described in Section 2 above.

4.2 What is the investment strategy?

The investment model underlying the Scheme's Statement of Funding Principles is that the allocation to equities and alternatives (ie "return-seeking assets") gradually decreases over time, changing from 70% to 0% over the period from 2015 to 2044 (the date the last member of the Scheme is expected to retire).

This reflects the fact that as a maturing Scheme there is decreasing time available to take material investment risk before significant assets need to be sold to pay benefits. The Trustee refers to this investment model when reviewing the Scheme's asset allocation from time to time, and generally expects to follow it.

The result of the most recent review was as follows:

Asset class	**Target allocation as at May 2021 (%)**
Corporate bonds	2.0
Liability driven investment ("LDI") portfolio	49.0
Long-lease property	13.5
Total bonds and property (matching assets)	**64.5**
Diversified growth	15.0
Infrastructure	7.5
Opportunistic credit	13.0
Total growth assets	**35.5**
Total	**100.0**

In practice the opportunistic credit allocation will be funded gradually from a temporary cash holding as the opportunistic credit manager sources investment.

Whilst there is no formal rebalancing policy, the Trustee monitors the asset allocation from time to time. If material deviations occur the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, considering factors such as market conditions and anticipated future cash flows.

4.3 What did the Trustee consider in setting the Scheme's investment strategy?

In setting the strategy, the Trustee considered:

- the Scheme' investment objectives, including the target return required to meet the Trustee's investment objectives;
- the Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of the members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the views, and strength of covenant, of the sponsoring employer;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme' overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which the Trustee considers financially material over the time horizon that the Trustee considers is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustee's investment beliefs about how investment markets work, and which factors are most likely to impact investment outcome.

Some of the Trustee's key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary risks rewarded;
- risks that are typically not rewarded should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;

- investment managers who can consistently spot and profitably exploit investment market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions;
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Scheme returns; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

4.4 What assumptions were made about the returns on different asset classes?

The Trustee used the following best estimate average long-term assumptions:

When:	31 March 2021 (pa)
RPI Inflation	3.5%
Gilt yield	1.3%
Long-lease property	4.7% (gilts + 3.4%)
DGFs	4.2% (gilts + 2.9%)
Infrastructure	5.5% (gilts + 4.2%)
Opportunistic credit*	6.7% (gilts + 5.4%)
Corporate bonds	1.9% (gilts + 0.6%)

*Note that in practice opportunistic credit will slowly build up from a temporary cash holding as the manager sources investments. The long-term assumption for opportunistic credit returns is based on deployed capital only (ie does not apply to cash that is not yet invested).

5 Appointment of investment managers

5.1 How many investment managers are there?

The Trustee has decided to appoint the following investment managers to manage the Scheme's assets.

- BlackRock Advisors (UK) Limited ("BlackRock") –corporate bonds;
- JP Morgan Asset Management ("JP Morgan") – infrastructure;
- Ruffer LLP ("Ruffer") – diversified growth;
- Alcentra Limited ("Alcentra") – opportunistic credit;
- M&G Investments ("M&G") – long-lease property; and
- BMO Global Asset Management ("BMO") – LDI and Liquidity Fund.

5.2 What formal agreements are there with investment managers?

The Trustee has entered into agreements with BlackRock, JP Morgan, M&G, Ruffer, Alcentra and BMO setting out in detail the terms on which the portfolios are managed, including the need for suitable and appropriately diversified investment.

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers and their investment benchmarks and guidelines are given in Appendix B.

5.3 What do the investment managers do?

The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The investment managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

5.4 How are investment arrangements implemented?

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

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

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

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

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

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

6 Other matters

6.1 What is the Trustee's policy on the realisation of investments?

The investment managers have discretion over the timing of realisation of investments and in considerations relating to the liquidity of investments.

When appropriate, the Trustee, on the Scheme's administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements.

6.2 What is the Trustee's policy on financially material considerations and non-financial matters?

The Trustee has considered how environmental, social and governance ("ESG") factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

6.3 What is the Trustee's policy on the exercise of investment rights?

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, protect and enhance the long-term value of investments.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

6.4 What are the responsibilities of the various parties in connection with the Scheme's investments?

Appendix C contains brief details of the respective responsibilities of the Trustee, the investment consultant and the investment managers. Appendix C also contains a description of the basis of remuneration of the actuary, investment consultant, and the investment managers.

6.5 Does the Trustee make any investment selection decisions of its own?

Before making any investment selection decision (eg an AVC policy or a new investment manager) of their own, it is the Trustee's policy to obtain written advice from the investment consultants. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP. It is also the Trustee's policy to review its own investment selection decisions on a regular basis, based on written advice.

7 Review of the SIP

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its investment consultants, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

In particular, the Trustee will review the SIP:

- annually; or
- when any other matter comes to the attention of the Trustee that makes a review of the SIP prudent or necessary in the opinion of the Trustee.

A copy of this SIP has been provided to the investment managers and to the Employer.

LEONI Pension Trustees Limited in its capacity as Trustee of the Scheme

A.1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long-term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Scheme's current investment strategy, as at 30 September 2020, the Scheme's 1 year 95% Value at Risk was around £19.7m on a Technical Provisions basis. This means that there is an estimated 1 in 20 chance that the Scheme's funding position, on a Technical Provisions basis, will worsen by £19.7m or more, compared to the expected position, over a one-year period. When deciding on the current investment strategy, the Trustee believed this level of risk to be appropriate given the Trustee and employer's risk appetite and capacity, given the Scheme's objectives.

The VaR figure has been calculated assuming that 75% of the allocation to opportunistic credit has been drawn, with the rest being temporarily held in cash. In practice, over time, the split between monies invested in cash / opportunistic credit will vary as the opportunistic credit managers calls and returns capital.

A.2. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that need to be considered. These include, but are not limited to:

A.2.1. Strategic risk

This is the risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review and actuarial valuation and will be monitored by the Trustee on a regular basis. The Trustee will review the Scheme's investment strategy at least every three years in light of the various risks faced by the Scheme.

A.2.2. Inadequate long-term returns

The Trustee needs to ensure that, over the long term, the Scheme has adequate resources to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Fund to produce an adequate long-term return in excess of the liabilities.

A.2.3. Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing the investment managers, the Trustee undertook an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis.

The Trustee takes a suitably long term view on the performance of the investment managers. The Trustee expects performance targets, over rolling three-year periods, to be met. In accordance with that long term view, the Trustee would not expect the investment managers' appointments to be terminated for short term underperformance reasons alone, provided that the three-year target was being achieved.

A.2.4. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could have a material adverse impact on the Trustee's ability to meet its investment objectives.

The Trustee believes that the Scheme's assets should be adequately diversified between different asset classes and within each asset class. The Trustee has achieved this by investing in a range of asset classes and in appropriate pooled funds managed by the Scheme's investment managers.

A.2.5. Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due or that the Scheme will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed appropriately via the measures described in Section 6.1.

A.2.6. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

A.2.7. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee, when requested to do so, will not be able to post additional cash to the LDI fund within the required timeframe.

A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised and passed to the LDI manager at short notice.

A.2.8. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds and loans via its allocation to corporate bonds, diversified growth funds and opportunistic credit. The managers of these pooled funds manage credit risk by having a diversified exposure to credit issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Through the LDI portfolio, the Scheme also has exposure to credit risk as the manager uses derivative instruments to match a portion of the Scheme's liabilities. The terms under which this portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. In addition, the derivative positions are collateralised periodically, which greatly reduces credit risk.

A.2.9. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate.

A.2.10. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds via pooled funds and a leveraged pooled LDI fund. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities.

The Trustee considers interest rate and inflation risks to be generally unrewarded investment risks.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

A.3. Other risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme,

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated). The Trustee has taken into account the strength of the employer's covenant in setting the Scheme's investment strategy.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustee believes that it has addressed and are positioned to manage this general risk.

B.1. BlackRock

The Trustee has selected BlackRock as the investment manager for the Scheme's corporate bonds. The portfolio is invested in the BlackRock Buy and Maintain UK Credit Fund.

This fund's objective is to "to produce an income for investors by primarily investing in a diversified portfolio of high-quality non-government bonds." The fund does not have a formal benchmark in place, although BlackRock use the ICE BofAML Sterling Corporate & Collateralized Index and the ICE BofAML Sterling Non-Gilts Index as reference benchmarks for the purposes of portfolio performance comparison.

B.2. JP Morgan

The Trustee has selected JP Morgan as the investment manager for the Scheme's infrastructure assets.

JP Morgan's infrastructure fund's performance target is to deliver a return of 8% to 10% pa and a target yield of 5%-7%, net of expenses and tax.

Invesco's formal objective is to return 3-month LIBOR plus 5% pa (gross of fees) with less than half the volatility of global equity, over rolling 3-year periods.

B.3. Ruffer

The Trustee has selected Ruffer as the investment manager for part of the Scheme's diversified growth fund holdings. The portfolio is invested in Ruffer's Absolute Return Fund.

Ruffer's formal objective is to preserve capital over rolling 12-month periods and grow the portfolio net of fees ahead of the cash interest rate. In practice, and for consistency, all DGF managers will be monitoring against Invesco's objective (3-month LIBOR plus 5% pa) on a net of fees basis.

B.4. Alcentra

The Trustee has selected Alcentra as the investment manager for the Scheme's opportunistic credit portfolio. The portfolio is invested in the Alcentra Strategic Credit Fund II.

The Fund targets an annualised internal rate of return[1] ("IRR") of 15%, after the deduction of all fees and expenses and a net money multiple[2] of 1.7x, with a target cash yield of 4-6% per annum distributed quarterly.

B.5. M&G

The Trustee has selected M&G as the investment manager for the Scheme's long lease property portfolio. The portfolio is invested in M&G's Secured Property Income Fund ("SPIF"). M&G's Fund does not have an official performance target. M&G expects the Fund to return circa 4% above UK RPI, over the long term.

B.6. BMO

The Trustee has selected BMO as the investment manager for the Scheme's Dynamic LDI portfolio. The investment objectives for BMO's LDI funds are set out below. These will be held in a combination (as advised by the Scheme's investment advisor) that delivers the required level of interest rate and inflation hedging from time to time.

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[1] Internal rate of return is the annualised percentage rate earned on each dollar invested for the time it is invested (only). It does not cover monies not (yet) drawn down by Alcetnra, nor monies already returned to the Plan. The calculation therefore gives an indication of the growth achieved, but not on what asset base this has acted nor for how long (and therefore it does not indicate how much in $-terms has been generated).

[2] The money multiple is found by dividing the cumulative distributions received from an investment by the paid-in capital. A money multiple of 1.7 means that for every £1m drawn by Alcentra, £1.7m has been returned (ie 70% growth). This calculation excludes any monies committed upfront, but in the end not drawn down by Alcentra for whatever reason. It also gives no indication of the rate at which this growth is achieved.

Fund	Objective
Real Dynamic LDI Fund	Provide a hedge against real rate liabilities by the use of a number of hedging assets. Its benchmark is a typical pension fund's liability profile as determined by BMO.
Nominal Dynamic LDI Fund	Provide a hedge against nominal rate liabilities by the use of a number of hedging assets. Its benchmark is a typical pension fund's liability profile as determined by BMO.
Short Real LDI Fund	Provide a hedge against real rate liabilities with a shorter duration by the use of a number of hedging assets. Its benchmark is a typical pension fund's liability profile as determined by BMO.
Short Nominal LDI Fund	Provide a hedge against nominal rate liabilities with a shorter duration by the use of a number of hedging assets. Its benchmark is a typical pension fund's liability profile as determined by BMO.
Sterling Liquidity Fund	Maintain high levels of liquidity, preserve capital and generate a return in line with the GBP 7-Day LIBID.

B.7. Rebalancing between managers

The Trustee, with the help of its investment consultants, will monitor the allocation to the various asset classes, and take steps to rebalance the asset allocation periodically.

B.8. Additional Voluntary Contributions

While the main Scheme assets are invested as above, Additional Voluntary Contributions are invested with Prudential.

C.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon them, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service.

C.1.1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy (eg any asset liability modelling exercise);
- appointing (and, when necessary, dismissing) the investment managers, the actuary and investment consultants;
- monitoring the exercise of the investment powers that it has delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting these arrangements;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

The Trustee has rejected establishing a separate investment sub-committee to take investment decisions, as it believes that it would be more appropriate and practical for the entire trustee body to take all such decisions.

C.1.2. Investment managers

In broad terms, the investment managers are responsible for:

- managing their respective portfolios, within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee, or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

C.1.3. Actuary and investment consultant

In broad terms, the actuary and investment consultant are responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustee in reviews of this SIP.

C.2. Mandates given to advisers and investment managers

The Trustee has in place signed agreements with each of the Scheme's advisers and investment managers. These provide details of the specific arrangements agreed by the Trustee with each party.

C.3. Fees, charge and other costs

The Trustee recognises that the provision of investment management, dealing and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's actuarial and investment consultants, under which charges are calculated on a combination of a fixed and "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' standard terms for institutional clients and are considered by the Trustee to be competitive when compared with those of other similar investment managers.

Other charges arise from transaction costs within the portfolios held on behalf of the Scheme. The managers have clearly set out how transaction costs, commission rates and "soft commission" arrangements affect the Scheme.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

The Trustee, having discussed the options available, has chosen not to make explicit payments to Trustee Directors in recognition of duties fulfilled in this role.

C.4. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time.

The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

C.5. Working with the Scheme's employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee gives due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.