Statement of Investment Principles
C&J Clark Pension Fund June 2024

Introduction

1 This document is the Statement of Investment Principles ('the Statement') made by the Trustee of the C&J Clark Pension Fund (the 'Fund') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

2 The Trustee will review this Statement at least every three years and without delay after any significant change in investment policy. Before finalising this Statement, the Trustee took written advice from the Fund's Investment Consultant (Willis Towers Watson) and consulted C&J Clark Limited (the 'Employer'). The Investment Consultant's written advice will consider the issues set out in the Pensions Act, the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement.

3 When choosing investments, the Trustee and the investment managers (to the extent delegated) are required to have regard to the criteria for investment (including diversification and suitability of investments) set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. Additionally, the Trustees will obtain advice on whether its existing investments remain satisfactory on a regular basis.

4 The ultimate power and responsibility for deciding investment policy, lies solely with the Trustee.

5 On 6 April 2020, the Clarks Flexible Pension Scheme merged into the Fund. The merger was implemented on a legally segregated basis, meaning that, as part of the merger, the Fund was divided into two separate Sections: the Fund's existing assets and liabilities became the "CJC Section" (and this comprises Plan 35, Plan E and Plan 18), and the assets and liabilities of the Clarks Flexible Pension Scheme were transferred into a newly created Section of the Fund which is now called the "Flexible Section". Because the merger was implemented on a legally segregated basis, the assets and liabilities of each Section must be ring-fenced from the other Section, with no cross-subsidisation permitted between the Sections. Each Section will have its own actuarial valuations and scheme funding arrangements."

6 This document is divided into the following sections:

i. Part A relates to Plan 35, Plan E and the Flexible Section
ii. Part B relates to Plan 18
iii. Part C relates to AVCs.

A. Plan 35, Plan E and Flexible Section

Fund objectives

Plan 35, Plan E (CJC Section) Objectives

7 To guide it in its strategic asset management, the Trustee (in consultation with the Company) has considered its key investment objectives. The primary objective is that the Fund's assets are held to meet the Fund's liabilities as and when they fall due. At the time of the last review of long-term investment strategy, the Trustee's policy was to achieve the primary objective through;

i. Targeting a position where the fund is considered to be self-sufficient, under a plausible choice of economic scenarios
ii. Investing in contractual assets including high quality credit and a buy-in policy so the insurer's payments fund part of the members benefits.

Flexible Section Objectives

8 The Trustee Directors seek to invest the Scheme's assets so as to maximize the likelihood that benefits will be paid to members as they fall due, in the context of their assessment of the long-term financial support available from the sponsoring employer.

(i) The Trustee Directors believe that this objective will ensure that the assets are invested in the best interest of the members and beneficiaries of the Flexible Section. The Trustee Directors do not foresee this objective giving rise to any conflict with the interest of the members and beneficiaries, but if a potential conflict arose, the Trustee directors would take steps to ensure that the assets are invested in the sole interest of members and other beneficiaries.

(ii) The Trustee Directors aim to maintain a funding level of 100%, measured on an ongoing valuation basis. The value of liabilities is calculated on the basis agreed by the Trustee directors and the Scheme Actuary. The fund position is monitored regularly by the trustee directors and formally reviewed at each triennial actuarial valuation, or more frequently as required by the pensions Act 2004. The Trustee Directors wish to pursue an investment strategy that will, together with the funding strategy, offer a strong probability of achieving this.

Investment strategy

Plan 35, Plan E Investment Strategy

9 In setting the long-term asset allocation to achieve its stated objective, the Trustee has, with the help of its Scheme Actuary and Investment Consultant, evaluated the degree of risk associated with various asset allocation strategies taking account of the Fund's liability profile.

10 The investment strategy makes use of four key types of investments:

(i) using a range of instruments that provide a reasonable match to changes in liability values, which may include gilts, corporate bonds and swaps and other liability matching derivatives.

(ii) a diversified range of cashflow generative and return-seeking assets, including (but not limited to) corporate bonds and alternative credit.

(iii) actively and passively managed portfolios.

(iv) bulk annuity insurance policies with reputable insurers to secure member benefits.

11 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Fund's investment objectives.

12 The Fund will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

13 The Trustee will monitor the liability profile and funding level of the Fund and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.

14 The expected return of investments will be monitored regularly and will be directly related to the Fund’s investment objective.

15 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Fund’s overall investments, where possible. The Trustee, together with the Fund’s administrators, will hold sufficient cash to meet benefit and other payment obligations. The Trustee does not borrow money and does not permit the investment managers to borrow money for the purpose of providing liquidity.

16 In May 2022, as part of the Fund’s overall investment strategy, the CJC Section purchased a bulk annuity insurance contract with Pension Insurance Corporation plc (“PIC”), covering a portion of the section’s pensioner members.

Flexible Section Investment Strategy

17 The Trustee has translated its objectives into a suitable strategic (asset allocation) benchmark for the Flexible Section. The strategic benchmark is reflected in the choice and mix of funds in which the it invests.

18 Following closure, the Trustee Directors reviewed the investment strategy and restructured the assets. A liability driven investment (“LDI”) portfolio was implemented to better support the objectives outlined above. The investment strategy seeks to match as closely as possible the liability profile of the Scheme by investing in a portfolio of bonds, gilts and leveraged instruments whose characteristics reflect the behaviors of the liabilities. This minimises, but does not necessarily eliminate, any differential between the value of liabilities and assets.

19 The investment strategy:

(i) Takes due account of the maturity profile of the Flexible Section (in terms of the relative proportions of liabilities in respect of pensioner and non-pensioner members), together with the level of disclosed surplus of deficit (relative to the funding bases used and the Trustee’s view of the covenant of the sponsoring employer; and
(ii) Is consistent with the Trustee Directors’ views on the appropriate balance between seeking an enhanced long term return on investments and accepting greater short-term volatility and risk.

20 The investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme and will normally be reviewed annually. In reviewing investment strategy, the Trustee Directors will seek written advice as required.

21 The Trustee Directors will monitor the performance of Scheme investments relative to agreed criteria on a regular basis and have delegated day to day investment decisions to authorized investment managers.

22 Given the size and nature of the Flexible Section, the Trustee Directors have decided to invest on a pooled fund basis through an insurance contract. The pooled funds in which investment is made are managed on a passive, or index tracking, basis, the objective of which is to match, as closely as possible, the performance of the relevant benchmark index. For each fund, the investment manager invests in individual bonds in such a way as to replicate, as closely as possible, the composition of the fund’s benchmark index. In adopting this approach, the manager ensures a suitably diversified portfolio. The Trustee directors are satisfied that the assets held in each fund are suitable in relation to the needs of the membership.

23 The Trustee will review the nature of Flexible Section’s investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the trustee Directors is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

24 Given the investment strategy, as described above, the Trustee Directors invest solely in bonds.

The Trustee Directors considered the different bond classes in which investment is made to be suitable in the circumstances of the Scheme.

25 The Scheme’s investment manager will hold a mix of bonds reflecting that of the respective benchmark indices.

Investment managers

26 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Fund competently.

27 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each investment manager, consistent with the achievement of the Fund's long-term objectives, and an acceptable level of risk. As part of this process, the Trustee has delegated the detailed monitoring of the Fund’s investment managers to its Investment Consultant and formally reviews its investment managers on a six monthly basis.

28 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers, as well as the responsibility for the exercising of ownership rights (including voting rights) attaching to the investments. Accordingly, the Trustee’s policy is to engage with the managers to understand their policies on sustainability and stewardship and review these policies regularly to ensure that the managers are carrying out their delegated responsibilities.

29 The Fund uses several different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement.

30 Should the Trustee’s monitoring process reveal that a manager’s portfolio is not aligned with the Trustee’s policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers’ engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

31 For most of the Fund’s investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

32 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Fund’s assets. When assessing a manager’s performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager’s appointment based purely on short term performance. However, a manager’s appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

33 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

34 The Trustee reviews the costs incurred in managing the Fund’s assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Responsible Investment

35 The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:

- an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG) issues (including climate change) and stewardship (including voting and engagement) activities;
- ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect and enhance the value of investments and should improve long-term member financial outcomes.

The Trustee has considered how sustainability and ESG factors should be taken into account in the selection, retention and realisation of long-term investments. This includes climate change which the Trustee recognises can present potentially material risks to portfolio but could also potentially present new investment opportunities. The view is that these factors form one of the elements of the investment decision-making process and, therefore, should largely be delegated to managers to consider as part of their overall management of this process. As a result, the Trustee expects the Fund's investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process and will review managers with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings.

Whilst the Trustee's policy is to delegate a number of stewardship activities to the Investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee incorporates an assessment of how well the Investment Managers exercise these responsibilities as part of its overall assessment of their performance.

When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations but has identified climate change and human and labour rights as key areas of focus for the Trustee.

36 For the Flexible Section, the Trustee recognises that ESG factors are less directly applicable given the nature of the investments (given the Flexible Section mainly holds gilts). Further, in respect of corporate bonds, the Trustee Directors recognise that the choice of benchmark dictates the assets held by the investment manager (in aiming to deliver returns in line with the benchmark) and that the passive manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee Directors therefore understand that ESG factors will not be given priority by the manager although they would expect the manager to continue to engage with the companies in which they invest.

37 The Trustee additionally holds the following beliefs with regard to sustainable investment:

(i) Long-term sustainability issues can have an impact on risk and outcomes

(ii) The Trustee's fundamental mission is to meet its financial obligations, and therefore financial considerations must take precedence

(iii) Sustainable investing encompasses the consideration of long-term thematic opportunities and risks, including, but not limited to, ESG factors

(iv) ESG factors affect risk and returns over the medium to long-term, and should be taken into account in all investment analysis

(v) The Trustee's recognise that Climate change could be a material financial risk, but it also could present opportunities.

Statement of Funding Principles

38 A Statement of Funding Principles ('SFP') specific to the CJC Section has been prepared by the

Trustee and the Employer after taking advice from the Scheme Actuary, and will be updated after each actuarial valuation. The SFP, among other things, includes a specific deficit recovery plan agreed between the Trustee and the Employer. The Trustee considers that the relevant sections of this Statement of Investment Principles are consistent with the SFP.

Other matters

39 The Fund is a Registered Pension Scheme for the purposes of the Finance Act 2004.

40 The CJC Section and the Flexible Section are both closed to future accrual of benefits (the Fund closed to future accrual on 31 July 2018). The Trustee take the impact of closure into account when considering an appropriate investment strategy.

41 The Trustee will annually report on the Fund to the Fund's members.

42 The Trustee recognises a number of risks involved in the investment of the Fund's assets:

Deficit risk:

- is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies
- is managed through assessing the progress of the actual development of the Fund's funding level and ongoing consideration of the Fund's asset allocation.

Liquidity risk:

- is measured by the level of cashflow required by the Fund over a specified period
- is managed by the Fund's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity. In addition, the Fund's investment strategy is invested in such a way to generate cashflow required to meet member benefits.

Currency risk:

- is measured by the level of exposure to non-Sterling denominated assets
- is managed by the implementation of a currency hedging programme (through currency hedging carried out by one of the Fund's investment managers) which reduces some of the impact of exchange rate movements on the Fund's asset value.

Interest rate and inflation risk:

- is measured by comparing the likely movement in the Fund's liabilities and assets due to movements in inflation and interest rates
- is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) and bulk annuity insurance contracts that enable the Fund's assets to better-match movements in the value of the liabilities due to inflation and interest rates.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
- is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.

Sponsor risk:

- is measured by receiving regular financial updates from the Employer and periodic covenant assessments

- is managed through an agreed contribution and funding schedule.

Counterparty risk:

- is measured through a combination of market indicators (credit ratings and credit default swap spreads) and qualitative considerations

- is managed by having a diverse range of counterparties and through the negotiation of a suitable collateralisation process where appropriate. The Trustee has delegated the measurement and management of counterparty risk to the relevant investment managers.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set

- is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Fund to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

Custodian risk:

- is measured by assessing the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody

- is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate.

Mortality risk:

- is measured through analysis of the expected development of the liabilities, estimating deviations that might arise if the scheme actuary's demographic assumptions are not borne out in practice

- is managed through considering this risk as part of a range of risks to the Fund's funding position and through purchasing bulk-annuity insurance contracts where appropriate

B. Plan 18

Investment Policy

43 The retirement benefits to be provided for each member under Plan 18 ("the Plan"), the defined contribution section of the Fund, are directly linked to the accumulated value of the contributions paid by them and of the Employer on their behalf. Following the closure of the Plan on 31 July 2018, no further contributions have been paid and the level of pension benefit will now depend on two factors:

(i) The return on a member's accumulated fund (based on contributions to 31 July 2018) over the period to their selected date of retirement.

(ii) The cost of turning the accumulated fund into pension benefit (i.e. cash, income drawdown or annuity purchase) at retirement.

Default Arrangements

44 The primary investment objective of Plan 18 is to offer members a range of investment options that accommodate different investment objectives and attitudes to investment risk. Additionally, the Trustee believes that it is appropriate to offer a default investment option (for members who feel unable, or do not wish to, make investment decisions themselves) as the majority of the members who have remained in the Plan are expected to have broadly similar investment needs.

45 The objective of the current main default strategy is to provide good member outcomes at retirement and has been designed taking into account:

(i) Members' age and salary profile

(ii) Projected sizes of accumulated funds at retirement

(iii) Level of income at retirement that members may need

(iv) Members' likely benefit choices at (and into) retirement.

46 The Trustee believes that it is in the best interests of the majority of members to offer a default which:

(i) Manages the principal investment risks members face during the accumulation period

(ii) Maximises investment returns relative to inflation whilst taking an appropriate level of risk at each stage of the 'glidepath'

(iii) Reflects members' likely benefit choices at retirement.

47 The current main default strategy is a 'lifestyle' option which automatically switches members' accumulated funds from higher risk/higher potential return investments to lower risk (or more appropriate) investments as they approach retirement. The pre-retirement allocation is aimed at members who are likely to target a mix of cash and income drawdown.

48 Following an exercise in February 2021 to rationalise the Fund's Defined Contribution and AVC options, investments which had been held in a policy with Utmost Life & Pensions were transferred to the fund range managed by Legal & General Investment Management (LGIM). Where members had investments in both Utmost and LGIM funds, the proceeds from the sale of the Utmost funds were automatically invested into the same fund options as the members

were using from the LGIM range. This means that a number of the LGIM funds, outside of the main default arrangement described above, are now also treated as default arrangements. The Trustee believes these options are suitable for members, given they had chosen them for their other savings in the Fund. The Trustee's policies in relation to these options outside of the main default arrangement are outlined in paragraphs 50-52.

49 The expected investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangements. The expected investment returns and approach to managing investment risks, including financially material considerations such as environmental, social and governance (ESG) factors, are described in the following sections.

Investment Options Outside the Main Default Arrangement

50 Members can choose from a number of investment options as the Trustee recognises the default strategy may not meet the needs of all members and attitudes to risk will differ between members.

51 The current fund range provides a broad choice of investment approaches and has been designed taking into account (over and above the considerations relating to the main default strategy outlined above):

(i) Levels of investment risk and return that members may be willing to take

(ii) The extent to which members take an active interest in where their pensions are invested

(iii) The desire for specialist funds, for example related to ethical investing.

52 The Trustee has considered the use of both passive and active investment management when reviewing the Fund's defined contribution investment strategy. The resultant decision to use both active and passive management was formed following the consideration of the availability, efficiency, liquidity and level of transaction costs likely to prevail within each market as well as the impact of the investment manager fees on future expected returns (net of fees).

Investment Risk

53 Under defined contribution plans generally, it is the members, rather than the Employer, who bear the investment risk. Members should therefore be particularly interested in the investment risk /volatility profiles of the investment funds available. The benefit arrangements of Plan 18 are such that each member will be provided with a pension of no less than the Guaranteed Minimum Pension in respect of any service before 6 April 1997. The Company would therefore "top-up" a member's benefit if appropriate.

54 The Trustee recognises there are a number of risks members invested in the funds may face, including (but not limited to) active management risk, currency risk, interest rate risk, default risk and liquidity risk. At the Plan level, the risks are managed by the Trustee through the appointment and ongoing review of its managers (taking suitable advice from its professional adviser). In the context of long term DC savings, there are three principal risks as follows. These are managed through the use of the lifestyle option which gradually moves members' funds from higher returning assets to lower risk assets as they approach retirement.

Inflation risk:

- is the risk that investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.
- is managed by investing in equities and other growth orientated assets further away from retirement which are expected to produce returns well in excess of inflation

over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

Benefit conversion risk:

- is the risk that investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

- is managed by investing in cash deposits and other short-term interest-bearing investments for members taking cash at retirement to provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement.

Volatility / Market risk:

- is the risk that falls in fund values prior to retirement lead to a reduction in retirement benefits.

- is mitigated by investing in bonds or a mix of assets or investment techniques intended which are expected to exhibit lower levels of short-term fluctuations in values to manage short term risk, although there may be occasions when this does not hold good.

Liquidity Risk:

- The members accounts are held in funds that trade regulary, typically daily, which can be realized promptly to provide pension benefits from the Fund or transferred to another pension arrangement.
- In the default arrangement the Trustees indirectly invest in illiquid assets through the LGIM Diversified Growth Fund (DGF) and consider the DGF to be appropriate in terms of risk and return for the default lifestyle. This allocation is at the discretion of the investment manager and the fund invest in property, infrastructure, and private equity assets.
- The Diversified Growth Fund is used within the Default Lifestyle strategy, with members starting to invest in it from 20 years from their target retirement age. The allocation builds up to 100% allocation over the next 10 years, and then reduces to zero over the final 10 years leading up to the member's target retirement age.
- In the self-select range, members have the ability to invest in the LGIM Managed Property fund which invests in illiquid assets.
- The Trustee policy is to invest in assets that are sufficiently liquid to allow them to be realized readily and typically daily dealt. The Trustee has decided not to invest directly into illiquid assets at this time.

55 Trustee monitors the age profile of the Plan's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks. As the Plan is closed to new entrants/contributions, investment risks for a majority of members who are approaching retirement are considered over a time horizon of around 10-15 years.

Expected return on investments

56 The Trustee believes it is important to balance investment risks with the likely long term returns from different types of investment funds (taking the charges into account).

57 Equities (i.e. company shares) – should deliver strong returns relative to inflation in the long term

but exhibit the most volatility in the short term.

58 Property (e.g. offices, shops and warehouses) – should deliver positive returns (but lower than equities) with correspondingly lower volatility than equities.

59 Multi-Asset (e.g. investing in a mix of asset classes) – should deliver positive returns relative to inflation over the longer term, with lower short term volatility than equities.

60 Corporate Bonds (i.e. debt issued by companies) – should deliver positive returns (but lower than equities or property) with correspondingly lower volatility than equities or property.

61 Fixed Interest Government Bonds – should deliver positive returns (but lower than equities, property or corporate bonds) with correspondingly lower volatility than equities, property or corporate bonds. This is also the case for index-linked gilts in terms of volatility although the return is expected to be line with inflation.

62 Cash (and cash-like instruments) – returns may not keep pace with inflation (net of fees); volatility is expected to be minimal and therefore provides a high degree of (but not complete) capital preservation.

63 Responsible Investment (i.e. funds selecting assets to mitigate ESG and/or climate change risks) – the strategy of these funds is expected to give a better risk adjusted return over the long-term than the broader market for the type of assets involved (e.g. equities).

Types of funds used

64 The Trustee makes available pooled funds through a direct contract with the investment management company. The Trustee has delegated the day-to-day investment decisions including the management of financially material considerations (see below) to the portfolio managers responsible for the various investment funds.

65 The Trustee expects that the fund managers will normally be able to sell assets within a reasonable timescale to meet withdrawals. There may, however, be occasions where the manager needs to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund. Nonetheless, the Trustee recognises that most members' pensions have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

66 Overall the Trustee believes that the Plan's investment options cater to members with varying risk and return requirements and appropriately manage the risks faced by most members.

67 The Trustee will seek transparency of all costs and charges borne by members. Investment manager(s) will be asked to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Plan's reporting year.

68 In accordance with the 2015 Regulations, the Trustee conduct an annual Value for Members assessment and will take action should the investment manager(s) be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Plan's choice of investment manager(s) to ensure their charges and services remain competitive.

69 Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the investment manager(s) if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

70 The Trustee expect that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within

the investment strategy.

71 The Trustee recognise the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan members' investment horizon. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

72 When selecting actively managed funds, the Trustee will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

73 The Trustee review the nature of the Plan's investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Plan, particularly in relation to diversification, risk, expected return and liquidity.

74 When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Plan's members.

75 When appointing choosing investment managers' funds, the Trustee will seek to establish that each investment manager has an appropriate conflicts of interest policy in place. When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan.

Responsible Investment

(1) Financially and non-financially material considerations

76 The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk, over the appropriate time horizon are relevant at different stages of the investment of members' defined contribution benefits and the financial materiality of any factor, including ESG factors and climate risk, may be relevant to different degrees according to the asset class or classes in which a fund invests.

77 The Plan uses standard pooled funds offered by investment managers. This gives access to a range of funds while keeping down costs to members, but this means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustee expects its investment manager to take all financially material factors into account where relevant.

78 In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which their current strategy has been set.

79 In active mandates, the Trustee recognises that the manager has freedom to exercise discretion as to the choice of assets held. The Trustee expects the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

80 Non-financially material factors are the views of members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan. Given the Plan closure and overall objectives of the Plan, the Trustee has not sought to consider non-financially material factors in the development of the strategy.

81 Members have the opportunity to invest part of the contributions in an 'ethical' investment option, where the selection, retention and realisation of investments is made with particular regard to ESG issues.

82 The Trustee will consider financially material considerations, including ESG factors and climate risk in the development and implementation of the Plan's investment arrangements for the purposes of determining the selection, retention and realisation of investments where there is sufficient data or evidence to allow them to systematically do so. The Trustee will engage with their investment managers to ensure they take such considerations into account within their decision making.

(2) Stewardship

83 The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

84 The Trustee believe that engagement with the companies in which the Plan invests through pooled investment funds, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.

85 The Trustee's stewardship activities are to be focused on the default arrangement which is used by the largest number of members.

86 The Trustee has adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment manager is expected to exercise the voting rights attached to individual investments in

accordance with their own house policy.

87 The Trustee does not engage directly but believes it is sometimes appropriate for its investment manager to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments to improve corporate behaviour, performance and mitigate financial risks. The Trustee will request, where appropriate and practicable, that the investment manager(s) notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activities undertaken by its investment manager where appropriate as part of its broader monitoring activity.

88 The Trustee will receive reports from the investment manager(s) on their voting activity at least annually and in conjunction with their investment adviser will use this information as a basis for discussion.

Investment manager(s) will be challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG issues that may affect the prospects for return from the portfolio. When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations but has identified climate change and human and labour rights as key areas of focus for the Trustee.

89 Where appropriate, the Trustee will engage with and seek further information from their investment manager on how portfolios may be affected by a particular issue.

C. Additional Voluntary Contributions ("AVCs")

Introduction

90 The retirement benefits to be provided for each member's AVCs are directly linked to the accumulated value of the contributions paid. On retirement, the individual member's accumulated contributions will be available to secure lump sum and pension benefits. The level of pension benefit for a given level of contribution will principally depend on two factors:

(i) The return on a member's accumulated fund (based on contributions to 31 July 2018) over the period to their selected date of retirement.

(ii) The level of annuity prices at retirement when the pension is purchased.

Investment Objective

91 Because AVCs are additional to each member's main pension benefit from the Fund, the primary investment objective of the AVC arrangements is to provide a range of investment options which include defensive funds as well as more return-oriented funds.

Investment Risk

92 Under the AVC arrangements, it is the members, rather than the Employer, who bear the investment risk. Members should therefore be particularly interested in the investment risk/volatility profiles of the investment funds available.

Investment Options

93 Members can choose from a number of investment options (including the investment options available to Plan 18 members) for the investment of contributions.

94 The Trustee feels that it is appropriate to offer a greater choice of investment options for AVC contributions than for Plan 18 contributions. Consequently, the Trustee offers access to additional funds as deemed appropriate.

Signed:

Name:

Date:

Authorised for and on behalf of the Trustee of the Fund