TAMURA HINCHLEY LIMITED PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

FEBRUARY 2022

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by T.H.L Pensions Limited, as Trustee of the Tamura Hinchley Limited Pension Scheme (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

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

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by the Scheme’s investment manager / fiduciary manager, 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 the Scheme’s 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 Trustee’s investment policy for the Scheme.

The Trustee 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 Trustee will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme. Specifically, the Trustee is looking to secure the liabilities with an insurer over a five to eight year time frame, with the feasibility of this aim being assessed as needed following a change in the Scheme's circumstances or updated actuarial information.

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

3 TRUSTEE'S RESPONSIBILITIES

3.1. SUMMARY OF TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the appropriate investment strategy, with input from Mercer, to achieve the Scheme's objectives.

The Trustee carries out its duties and fulfils its responsibilities as a single body. As each of the Trustees wish to contribute directly to the formulation of the Scheme's investment policy and to the monitoring of the Scheme's investment managers, no Investment Sub-Committee has been considered. Moreover, the Trustee body is not so large as to be unwieldy in its operations.

The duties and responsibilities of the Trustee 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 Mercer's performance as the Scheme's investment manager
- The setting and review of the investment parameters within which Mercer are permitted to operate, most notably the split between the Growth and Matching portfolio
- The assessment of the level of risk inherent in the Scheme's investment strategy, to ensure it remains appropriate and in line with the Scheme's objectives
- The approval and review of the Scheme's investment strategy, with asset allocation decisions having been largely delegated to Mercer, as set out in the relevant Investment Management Agreement,
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. SUMMARY OF OTHER PARTIES' RESPONSIBILITIES

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

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

The Trustee has appointed Mercer as the Scheme's investment manager, by way of Mercer's Dynamic De-risking Solution ("DDS"); a de-risking strategy whereby the level of investment risk reduces as the Scheme's funding level improves. Under this strategy, the Scheme will have access to highly rated investment managers identified by Mercer and will benefit from a risk-managed investment strategy.

Under the DDS framework, the Trustee, working closely with Mercer and in consultation with the Sponsor, decides on the Scheme's long-term target funding objectives, the desired time horizon for reaching these objectives and how much risk will be tolerated in seeking to achieve them.

In the first instance, pending a comprehensive investment strategy review to consider the design of the overall DDS framework, the Trustee has agreed to implement a diversified investment portfolio that will be managed by Mercer. Specifically, this will involve Mercer allocating the Scheme's assets across a number of pooled investment vehicles, targeting a 30% / 70% split between the Growth and Matching Portfolios. This split will be discussed in more detail with the Trustee as part of the comprehensive investment strategy review, which will also cover the de-risking trigger framework.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach to re-balance the assets in accordance with its overall strategy. The approach to managing cash flows and rebalancing is set out in Appendix 2.

4.2. INVESTMENT DECISIONS

Under the DDS framework, the Trustee will retain control over the most important, strategic investment decisions. However, much of the day-to-day and wider implementation of the Scheme's strategy will be delegated to Mercer. Mercer will be responsible for areas such as manager selection, monitoring and replacement, setting the strategic and dynamic asset allocation within the Growth Portfolio, and, if applicable, implementing any de-risking triggers. The Trustee has initially set the asset allocation with the Matching Portfolio, however this will be revisited as part of the next investment strategy review.

When allocating the Scheme's assets, Mercer, in its capacity as discretionary investment manager and subject to the agreed restrictions, will utilise a number of multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as the UK, USA and Ireland, and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund.

4.3. TYPES OF INVESTMENTS TO BE HELD

The Trustee is permitted to invest across a wide range of asset classes, with the Scheme's assets being invested wholly via pooled vehicles. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

Details relating to the pooled funds in which the Scheme is currently invested in at the time of writing can be found in Appendix 3.

The Trustee recognises the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustee has therefore allowed Mercer, in its role as the Scheme's investment manager, to construct, monitor and amend the Scheme's investment portfolio as they see fit, subject to any restrictions set by the Trustee.

The Trustee notes that it would not be practical, nor appropriate, for it to commit the resources necessary to make these decisions across a wide range of asset classes.

The Trustee notes that the actuarial value of the Scheme's future benefits payments to members is sensitive to changes in long-term interest rates and long-term inflation expectations. The Trustee has therefore allowed Mercer to invest in a number of pooled investment vehicles that provide exposure to high quality corporate and government bonds, as well as dedicated Liability Driven Investment ("LDI") funds. These funds are intended to respond in a similar way to changes in long-term interest rates and inflation expectations, and therefore reduce the volatility of the Scheme's funding position.

4.4. FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee recognises that there are factors that have the ability to impact the financial performance of the Scheme's investments over a multi-year period, which is approximately the time horizon over which the Trustee intends to achieve buyout. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustee has appointed Mercer to act as the investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Stewardship Code.

The United Nations' Sustainable Development Goals inform Mercer's long-term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities, as outlined in Mercer's Sustainability Policy.

The Trustee considers how ESG, climate change and stewardship are integrated within the investment processes of both Mercer and MGIE, as well as those of the underlying asset managers. Mercer and MGIE are expected to provide reporting to the Trustee on a regular basis, at least annually, on ESG integration, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and other asset classed where relevant and data is available and/or climate transition analysis for diversified growth portfolios.

The Trustee notes the alignment with Mercer's commitment to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi-asset funds domiciled in Ireland.

Mercer's Climate Change Management report highlights the approach to the TCFD framework in more detail, including example analysis on strategy targets and metrics.

ESG considerations are incorporated within the Scheme's investment strategy on a holistic basis, however the Scheme also has an allocation to a dedicated ESG fund, namely the Mercer Passive Sustainable Equities Fund. A detailed standalone sustainability monitoring report is produced for the Passive Sustainable Global Equity Fund on an annual basis and will be made available to the Trustee.

The Trustee recognises the conflict of interest that may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assess whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustee has not set any investment restrictions in relation to particular Mercer Funds.

4.5. CORPORATE GOVERNANCE AND VOTING POLICY

The Trustee is invested solely in pooled investment funds. The Trustee delegates responsibility for engagement matters and exercising voting rights to Mercer, who in turn delegate such actions to the sub-investment managers appointed within the Mercer Funds in which the Scheme invests. Mercer will provide the Trustee with an annual summary of stewardship and voting activities the via the Engagement Policy Implementation Statement.

5 RISK

The Trustee is aware, and seeks to take account of a number of risks in relation to the Scheme's investments, all of which the Trustee considers to be financially significant, including the following:

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- They are managed by Mercer setting a Scheme-specific asset allocation with an appropriate level of risk, and by monitoring the development of the funding position on a frequent basis.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing Mercer to select, monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

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

Political Risk

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

Corporate Governance Risk

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

Sponsor Risk

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

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes, along with input from Mercer, so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles, and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

Market Risk

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

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- This risk is managed by investing in a wide array of investment funds, using currency hedged share classes as deemed appropriate by Mercer.
- Mercer, in their role as discretionary investment manager, will set, monitor, and amend the Growth portfolio's exposure to currency risk over time to ensure it remains in line with Mercer's "best ideas".

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 typically impacts fixed income assets more directly than equities.
- The Trustee recognises that the Scheme'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 Trustee manages the Schemes' interest rate risk by considering the net risk when taking account of how the liabilities are valued.
- The Scheme's investment strategy includes a dedicated allocation to Matching assets that are held with the primary aim of offsetting the Scheme's liability interest rate risk.

Other Price risk

- This is the risk that principally arises in relation to the return seeking assets.
  The Trustee acknowledges that the Scheme can manage its exposure to other price risk by investing in a diverse portfolio across various markets and asset classes, and has therefore delegated the composition of the Scheme's investment portfolio to Mercer in order to achieve a sufficient level of diversification.

ESG risk

- This is the risk that Environmental, Social or Corporate Governance factors, including climate change, have a financially material impact on the return of the Scheme's assets
- The Trustee manages this risk by investing in pooled fund managers who take such considerations in to account where it is appropriate to do so.
- In addition, Mercer, in its role as the Scheme's discretionary investment manager, considers ESG factors when setting the Scheme's asset allocation.

6 MONITORING OF INVESTMENT MANAGER

6.1 INVESTMENT ADVISER

The Trustee regularly assesses and reviews the performance of their adviser in a qualitative way. In doing so, the Trustee will take in to account the objectives it set for its investment adviser in the latest version of the document entitled “Outcome of the CMA review: Setting Objectives for Investment Consultants”.

6.2 TRUSTEE’S POLICIES WITH RESPECT TO ARRANGEMENTS WITH, AND EVALUATION OF THE PERFORMANCE AND REMUNERATION OF, ASSET MANAGERS AND PORTFOLIO TURNOVER COSTS

When engaging Mercer as the Scheme’s investment manager to implement the Trustee’s investment strategy, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, its long-term liabilities.

As Mercer manages the Scheme’s assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds. However, the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee’s overall investment strategy. The Trustee has taken steps to satisfy itself that Mercer has the appropriate knowledge and experience to do so and keeps Mercer’s performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee’s policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer’s appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme’s funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio’s and underlying investment manager’s benchmark (over the relevant period) on a net of fees basis. The Trustee’s focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer’s and MGIE’s assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager’s responsible investment philosophy aligns with the Trustee’s own responsible investment policy. This includes the asset managers’ policies on voting and engagement.

Section 4.4 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund’s investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors and evaluates the fees it pays for asset management services on an ongoing basis, taking into account the progress made in achieving its investment strategy objectives. The fees of both Mercer and MGIE are based on a percentage of the value of the Scheme's assets under management and cover the design and annual review of the de-risking strategy, as well as the investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. The fees of Mercer, MGIE and the third party asset managers are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

7 CODE OF BEST PRACTICE

The Trustee is aware of the Pensions Regulator guidance 'Investment Guidance for Defined Benefit Pension Schemes', released in March 2017.

8 COMPLIANCE

The Scheme's Statement of Investment Principles and Engagement Policy Implementation Statement can be found here: https://www.tamuracorp.com/csr/thpl/index.html

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

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

Approved by the Trustee on XX XX 2022.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

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

Asset Class	Strategic Allocation (%)	Guideline Range (%)
Growth Portfolio	**30.0**	+/- 5.0
Matching Portfolio	**70.0**	+/- 5.0
Total	**100.0**	

Appendix 3 provides further detail on the various Mercer Funds that currently form part of the Scheme's Growth and Matching Portfolios.

APPENDIX 2: CASH FLOW AND REBALANCING POLICY

Cash Flow Management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's target asset allocation. Mercer is responsible for raising cash flows as requested by the Trustee or Scheme Administrator.

Rebalancing

Responsibility for monitoring the Scheme's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside the agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The table below sets out the various Mercer Funds that the Scheme is invested in at the time of writing. Please note that the Scheme makes use of a combination of both hedged and unhedged share classes in order to achieve the overall desired level of currency hedging. Where hedged share classes are used, the corresponding hedged benchmark index is proxied by Mercer using local index returns.

Fund Name	Benchmark Index	Performance Target (% p.a.) [i]	Tracking Error Expectation (% p.a.)[i]
Mercer Passive Fundamental Indexation Global Equity UCITS CCF	MSCI Diversified Multi Factor Custom (NDR) Index	Perform in line with the benchmark	Less than 0.25
Mercer Passive Low Volatility Equity UCITS CCF	MSCI World Minimum Volatility (NDR) Index	Perform in line with the benchmark	Less than 0.25
Mercer Passive Global Small Cap Equity UCITS CCF	MSCI World Small Cap (NDR) Index	Perform in line with the benchmark	Less than 0.25
Mercer Passive Sustainable Global Equity UCITS CCF	Solactive Sustainable Global Developed Equity Index	Perform in line with the benchmark	Less than 0.25
Mercer Passive Global Listed Infrastructure UCITS CCF	FTSE Global Core Infrastructure 50/50 (NDR) Index	Perform in line with the benchmark	Less than 0.25
MGI Eurozone Equity	MSCI EMU (NDR) Index	1.0 - 2.0 (gross of fees)	1.5 - 4.0
MGI UK Equity Fund	FTSE-All-Share Net Total Return Index	0.75 – 1.5 (gross of fees)	1.5 - 4.0
Mercer Passive Emerging Markets Equity	MSCI Emerging Markets (NDR) Index	Perform in line with the benchmark	Less than 0.25
Mercer Passive Global REITS UCITS CCF	FTSE EPRA/NAREIT Developed REITs (NDR) Hedged Index	Perform in line with the benchmark	Less than 0.25
MGI Emerging Markets Debt	JP Morgan GBI-EM Global Diversified Index	0.5 – 1.0 (gross of fees)	1.0 - 3.0
Mercer Emerging Market Debt Hard Currency	JP Morgan EMBI Global Diversified ex CCC	0.5 – 1.0 (gross of fees)	1.0 - 3.0
Mercer Global High Yield Bond	ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index	0.2 - 0.5 (gross of fees)	0.5 - 2.0
Mercer Absolute Return Fixed Income	FTSE GBP 1 Month Euro Deposit Index +1.5% p.a.	Cash +1.5 – 2.5 (gross of fees)	Less than 5.0 over rolling 3 year periods
Mercer UCITS Alternatives Strategies	HFRI FoF: Market Defensive Index [2]	Cash +2.0 – 4.0 (net of fees)	5.0 - 7.0
MGI UK Cash	FTSE GBP 1 Month EUR Deposit	n/a	0.5
Mercer UK Credit	ICE BofAML Sterling Corporate & Collateralised (ex-Subordinated Financials) Index	0.5 – 0.75 (gross of fees)	1.0 - 1.5
MGI UK Long Gilts	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Perform in line with the benchmark	Less than 0.25

Fund Name	Benchmark Index	Performance Target (% p.a.) [i]	Tracking Error Expectation (% p.a.)[i]
MGI UK Inflation Linked Bonds	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	Perform in line with the benchmark	Less than 0.25
Mercer Flexible LDI Fixed Enhanced Matching Fund 3	BlackRock Flexi Fixed Long Index	Perform in line with the benchmark	n/a
Mercer Flex LDI Real Enhanced Matching Fund 1	BlackRock Flexi Real Short Index	Perform in line with the benchmark	n/a
Mercer Flexible LDI £ Real Enhanced Matching Fund 2	BlackRock Flexi Real Medium Index	Perform in line with the benchmark	n/a
Mercer Flexible LDI £ Real Enhanced Matching Fund 3	BlackRock Flexi Real Long Index	Perform in line with the benchmark	n/a
Mercer Tailored Credit Fund 1	No Benchmark Assigned [3]	n/a	n/a

1 Measured over rolling 5 year periods unless otherwise stated.

2 This is the short-term outperformance target for the strategy, for a long-term benchmark please reference the performance target.

3 This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEE

The Trustee's responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Manager and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Manager and Scheme Actuary.
- Assessing the quality of the performance and processes of the Investment Manager by means of regular reviews of investment returns and other relevant information.
- 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 MANAGER

The Investment Manager's responsibilities include the following:

- Participating with the Trustee in the review of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustee, at its request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the Investment Managers' organisation could affect the interests of the Scheme
  - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets
- Having regard to the need for diversification of investments and to the suitability of investments
- Managing the Scheme's assets in accordance with the Investment Management Agreement
  - Selecting, monitoring and replacing any underlying investment managers where concerns exist over their continued ability to deliver the investment mandate.

SCHEME ACTUARY

The Scheme Actuary's responsibilities in relation to include the following:

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

ADMINISTRATOR

The Administrator's responsibilities include the following:

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