St Dunstan's Retirement Benefits Plan (1973)

Statement of Investment Principles

May 2024

1. Introduction

1.1. Purpose of the Statement

This Statement of Investment Principles ("SIP") describes the investment policy of the Trustees of the St Dunstan's Retirement Benefits Plan (1973) ("the Plan") and is issued by the Trustees to comply with the Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004) ("the Act") and the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations "), and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018, and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2019.

It supersedes the previous SIP and is effective as at the date of the Compliance Statement (Section 7).

1.2. Plan details

The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

HM Revenue & Customs (HMRC) previously approved the Plan under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988.

The Trustees, who are responsible for the investment of the Plan's assets, manage the administration of the Plan.

1.3. Advice and consultation

Before preparing this document, the Trustees have sought advice from the Plan's investment consultants, Barnett Waddingham, and have consulted the Scheme Actuary.

They have also consulted Blind Veterans UK ("the Charity"). The Trustees will consult the Charity on any future changes in investment policy as set out in this document and on the appointment or removal of investment managers.

1.4. Investment powers

The investment powers of the Trustees are set out in the Trust Deed and Rules. This Statement is consistent with those powers.

Neither this Statement nor the Trust Deed and Rules restrict the Trustees ' investment powers by requiring the consent of the Charity.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate the responsibility for selection of specific investments to appointed investment manager(s). The investment manager(s) shall provide the skill and expertise necessary to competently manage the investments of the Plan.

1.5. Review of the Statement

The Trustees will review this Statement at least every three years after each triennial valuation or immediately following any significant changes in investment policy. The Trustees will review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and attitude to risk of either the Trustees or the Charity which they judge to have a bearing on the stated investment policy.

2. Division of responsibilities

2.1. Trustees

The Trustees' responsibilities include:

- Formally reviewing the content of this SIP at least every three years and receiving confirmation of its continued appropriateness annually, or more frequently if appropriate.
- Reviewing the investment policy following the results of each formal actuarial valuation, or more frequently if appropriate.
- Assessing the performance and investment processes of the investment manager(s) by means of reviews of the investment results and other information.
- Consulting with the Charity when reviewing investment policy issues.
- Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.
- Appointing the investment manager(s) and, if necessary, the custodian.

In addition, the Trustees of the Plan will jointly make all decisions relating to investments, including issues such as:

- The kinds of investments to be held.
- The balance between different kinds of investments.
- The level of risk to which the Plan is exposed.
- The investment manager arrangements.
- The performance target of the investment manager(s).
- The content of the SIP.

2.2. Investment manager

Each investment manager's responsibilities include:

- Investing in diversified portfolios of assets suitable for the Plan in accordance with the mandate they have been given by the Trustees.
- At their discretion, but in accordance with the mandate they have been given by the Trustees, implementing changes in the asset mix and/or any underlying investment managers, and selecting individual securities within each asset class.
- Providing the Trustees with regular portfolio valuations, along with a report at least annually, on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Plan's assets to enable the Trustees to review their activities.

2.3. Investment Consultant

The Investment Consultant's responsibilities include:

- Participating with the Trustees in regular reviews of this SIP, and in the review process as described in this Statement.
- Undertaking project work as required, including reviews of asset allocation policy and reviews or selection of investment managers.
- In consultation with the Scheme Actuary, advising the Trustees how any changes in the Plan's benefits, membership and funding position may affect the way in which the Plan's assets should be invested.
- Exercising the rights attached to the shareholdings of the Plan so as to protect and enhance the long-term value of a stock holding for the Plan.
- Reporting in person at a meeting of the Trustees as requested.

2.4. Custodian

The custodians' responsibilities include some or all of the following:

- The safekeeping of all of the assets of the Plan.
- Providing the investment manager(s) with statements as required of the assets, cashflows and schedules of transactions.
- Undertaking all appropriate administration relating to the Plan's assets.
- Processing all dividends and tax reclaims in a timely manner.
- Dealing with corporate actions.

3. Strategic investment policy and objectives

3.1. Policy in relation to choosing investments

The Trustees rely on professional investment manager(s) for the day-to-day management of the majority of the Plan's assets. However, the Trustees retain control over some investments. In particular, they make decisions about the choice of some investment managers and the investment vehicles used by members for Additional Voluntary Contributions ("AVCs").

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the investment manager(s). The written advice will consider the suitability of the investments, the need for diversification and the principles within this Statement. The advisor will have the knowledge and experience required under the Act.

3.2. Long-term objectives

The long-term objectives of the Plan are:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Charity, the cost of the current and future benefits which the Plan provides, as set out in the Trust Deed and Rules;
- To meet a target level of funding set by the Trustees by which point the Plan can be reasonably considered to be self-sufficient from the Charity;
- To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the self-sufficiency liabilities, by considering the liability profile of the Plan when setting the asset allocation policy;
- To manage the expected volatility of the returns achieved in order to protect the funding position and reduce the likelihood of contributions being required from the Charity;
- To reduce the long-term costs of the Plan by aiming to generate a positive return whilst having regard to the objectives shown above.

3.3. Investment policy

The Trustees have adopted an investment policy as detailed in Appendix 1, having taken into account the liability profile of the Plan.

The Trustees believe that the policy currently represents a suitable asset allocation for the Plan's assets. The management of the Plan's assets will be undertaken with regard to the benchmarks and objectives as specified in Appendix 2.

The Trustees understand that the asset mix underlying these benchmarks will change from time to time. The Trustees consider that an asset allocation policy for the Plan that corresponds to these benchmarks will ensure that the assets of the Plan include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives.

The Trustees will hold cash to the extent that they consider it necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

3.4. Expected returns

By undertaking the investment policy described in this Statement, the Trustees expect that future absolute investment returns will at least meet the rate of return underlying the Schedule of Contributions and the Recovery Plan.

3.5. Environmental, Social and Governance (ESG) considerations

The Trustees have received training on ESG factors, and have discussed the extent to which ESG factors, including climate change, should be taken into account in the Plan's investment strategy. The Trustees' policy towards ESG factors is that they believe that these factors could be financially material for the Plan over the long term. These factors will be taken into account in the selection, retention, and realisation of assets as follows:

- **Selection:** The Trustees will consider how ESG factors are taken into account in the selection of investments with the Plan's investment managers. When appointing a new mandate, the Trustees will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustee will also consider alongside other factors whether any new investment managers are signatories to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Plan's investment managers are all PRI signatories.
- **Retention:** The Trustees will request information regarding the ESG practices of the Plan's investment managers, and will review this on a regular basis, to consider whether these remain appropriate.
- **Realisation:** The Trustees will consider how ESG factors are taken into account in the realisation of investments with the Plan's investment managers.

Policy for monitoring ESG policy:

- The Trustees will arrange for further training on ESG factors to be provided as research and regulatory requirements around the factors develop.
- The Trustees will request information annually from the Plan's investment managers about how they have integrated ESG into their investment process. This should include information on how investments have been selected or realised for ESG purposes.

3.6. Stewardship

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Plan's investments, and the engagement by and with investment managers and other stakeholders on all relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance).

The Trustees delegate responsibility for stewardship activities attaching to the Plan's investments to its investment managers. Investment managers are expected to exercise voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of voting rights, investment managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustees also engage with their investment consultants to monitor manger performance and ESG and Stewardship activities.

The Trustees periodically review engagement activity undertaken by their investment managers to ensure that the policy outlined above is being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and expects the Plan's investment managers to have corporate governance policies in place which comply with these principles. The Trustees will review the signatory status of all of its investment managers following anticipated revisions to the UK Stewardship Code in 2019.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. This reduces the risk of potential conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

Stewardship priorities
The Trustees have decided to adopt Diversity, Equity and Inclusion (DEI) as their stewardship priority for the Plan. The Trustees believe that the impact of DEI may be financially material for the Plan and also aligns with the aims of the Charity. In addition, the Trustees expect their relevant asset managers will be able to evidence their stewardship activity in this area which the Trustees will monitor annually. For example, by considering the voting and engagement activity of the asset managers. Therefore, this is also an area which the Trustees believe they can meaningfully monitor progress and engage with their asset managers over time.

3.7. Non-financial factors

The Trustees do not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.

The Trustees will review their policy on whether or not to take account of non-financial matters on an annual basis.

3.8. Manager arrangements

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

Once appointed, the Trustees monitor the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

The Trustees also assess the ESG and Stewardship activities of their managers, and engage with managers and their investment consultants if this is not in line with the Trustees expectations.

A manager can be replaced if they do not meet the Trustees objectives in terms of performance and/or stewardship over the period of investment. This incentivises the manager to communicate and meet the objectives set.

The Investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. Details of the fee structures for the Scheme's investment managers are contained in the Summary of Investment Arrangements.

The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustees liaise with their Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered from time to time.

The Trustees acknowledge that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment managers if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

There are no predetermined timescales for investment managers appointments.

The suitability of the Plan's strategy and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager through the Scheme's advisors.

4. Risk and diversification

4.1. Risk and the liabilities

Having considered advice from Barnett Waddingham, the Trustees have set the investment policy and objectives with regard to the Plan's liabilities and funding level and the need to meet their long-term objectives.

The Trustees' policy is to seek to achieve these objectives through investing in a diversified portfolio of return seeking assets, (e.g. equities, property, credit, public markets alternatives and private markets), and liability matching assets (e.g. pooled Liability Driven Investment (LDI) funds).

The Trustees recognise that the return on return seeking assets, while expected to be greater over the long term than that on liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustees, and an acceptable level of cost to the Charity.

4.2. Risk management and measurement

The Trustees recognise a number of risks involved in the investment of the assets of the Plan. The Trustees manage and measure these risks as follows:

- **Solvency risk and mismatching risk** - this is addressed through the strategic asset allocation strategy and through ongoing triennial actuarial valuations.
- **Strategy risk** - the risk that the investment manager(s)' asset allocation deviates from the Trustees' investment policy is addressed through regular review of the asset allocation and/or the imposition of investment ranges as described in Appendices 1 and 2.
- **Liquidity risk** - this is addressed through the process by which the administrator undertakes a periodic cashflow forecast to ensure that sufficient cash balances are available, and through the Trustees' policy on realisation of assets (see below).
- **Inappropriate investments** - these are addressed through investment constraints and restrictions and the Trustees' policy in relation to the range of assets held (see below).
- **Political risk** - the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- **Custodian risk** - this is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. The Trustees may delegate the monitoring of the custodial arrangements to the investment manager(s).
- **Counterparty risk** - this is addressed through the investment manager(s)' guidelines with respect to cash management.
- **Manager risk** - this is addressed through the Performance Objectives set out in Appendix 2 and through the ongoing monitoring of the investment manager(s) as set out in Section 5.
- **Fraud / Dishonesty** - this is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

The Trustees continue to monitor these risks.

4.3. Range of assets

The amounts allocated to any individual category will be influenced by the overall benchmark and objectives, varied through the investment manager(s)' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustees or governing the pooled funds in which the Plan is invested.

In setting out the mandates for the investment manager(s), the Trustees will ensure that they hold a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

In addition, the Trustees will ensure the distribution of assets is otherwise suitable to meet their investment objectives as described above. Further, the Trustees will ensure that the Plan's assets are predominantly invested in regulated markets to maximise the security of the Plan's invested assets.

4.4. Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets not readily realisable are held by the investment manager(s), and will limit such assets to a level where they are not expected to prejudice the proper operation of the Plan.

The Trustees will also take into account how easily investments can be realised for any new investment classes they consider investing in, to ensure that this position is maintained in the future.

4.5. Investment restrictions

The Trustees may from time to time impose restrictions on the underlying managers, where investments are managed on a segregated basis (i.e. not pooled funds). The investment manager(s) may impose their own internal restrictions to meet their own regulatory, operations or commercial requirements.

The Trustees have established the following overriding investment restrictions:

- The Trustees may not hold in excess of 5% of the Plan's assets in investments related to the Charity.
- Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Plan's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer.
- The Trustees will ensure that the Plan's assets are predominantly invested in regulated markets to maximise the security of the members' entitlements.
- Investment in derivative instruments may only be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

5. Investment manager arrangements and fee structure

5.1. Delegation to Investment Manager(s)

In accordance with the Act, the Trustees have appointed investment manager(s). The Trustees have delegated to the investment manager(s) the responsibility for investing the Plan's assets in a manner consistent with the investment policy set out in Section 3 and the mandates specified in Appendix 2.

The Financial Conduct Authority ("FCA") regulates the Plan's investment manager(s).

The investment manager(s) manage the funds allocated to them on an active and/or passive basis, and are responsible for the allocation of assets between categories and for the selection of investment managers and/or stocks within each asset class, or both, depending on the mandate given them.

The investment manager(s) will ensure that suitable internal operating procedures are in place to control individuals making investments for the Plan.

The investment manager(s) may appoint, or change, custodians who are responsible for arranging the custody and safekeeping of the assets of the Plan. In such circumstances the Trustees will satisfy themselves that the custodians have the financial security, procedures and controls in place to justify this as a prudent, efficient and cost effective procedure.

5.2. Performance objectives

The Trustees' aim is to appoint investment manager(s) who are likely to produce above average performance with a relatively low degree of return volatility commensurate with the expected level of return.

The Trustees cannot influence the investment manager(s)' method of operation and therefore the performance target, apart from where a segregated portfolio is held. The Trustees will assess performance and review the appointment of each investment manager regularly against that investment manager's stated objectives.

The individual benchmarks and objectives against which investment manager(s) are assessed are given in Appendix 2.

The Trustees will also review regularly the asset allocation of the investment manager(s) to ensure that this remains appropriate in the context of the liabilities of the Plan.

5.3. Review process

The appointment of an investment manager will be reviewed by the Trustees in accordance with their responsibilities. Such reviews will include analysis of the manager's performance and processes and will include a consideration of the ongoing suitability of the manager within the framework of the Trustees' investment policy.

At least once a year, the Trustees will meet with a representative of each investment manager and will review whether the portfolio remains appropriately diversified. As an alternative to a face-to-face meeting, the Trustees may receive a written report from an investment manager which will enables this review to be undertaken.

At least once a year, the Trustees will review the investment performance and processes of each investment manager.

At least every six months, the Trustees, under advisement from the Plan's investment consultants, will review the hedging provided by the LDI Portfolio. This will be reviewed as part of the ongoing monitoring of the portfolio provided by the Plan's Investment Consultant.

5.4. Selection and deselection criteria

The Trustees have identified the criteria by which the investment manager(s) deselection should be selected (or deselected). These include:

- Past Performance
- Quality of the Investment Process
- Role Suitability - e.g., level of fees, reputation of the investment manager, familiarity with the mandate, internal objectives and restrictions of any pooled funds.
- Service - e.g., reporting, administration.
- Personnel - e.g., the individual fund managers working for the Plan.

An investment manager may be replaced, for example (but not exclusively), for one or more of the following:

- Failure to meet the performance objectives set out in Appendix II.
- If the Trustees believe that the investment manager is not capable of achieving the performance objectives in the future.
- If the investment manager fails to comply with this Statement.

5.5. Investment Managers' fee structure

The Plan's investment manager(s) are remunerated by receiving a Managers' fee percentage of the Plan's assets under management. In addition, a structure performance related fee may be payable. Fee scales for each manager are set out in Appendix 2.

It is felt that this method of remuneration is appropriate as it provides incentive for the investment manager(s) to maximise investment returns whilst adhering to the level of risk specified by the Trustees.

5.6. Investment Consultant's fee structure

Barnett Waddingham, the Plan's Investment Consultant, is remunerated by a combination of fixed fees and work completed on a time-cost basis.

It is felt that this method of remuneration is appropriate because it enables Barnett Waddingham to provide the necessary advice and information to facilitate the Trustees undertaking their responsibilities as described in Section 2.

6. Additional Voluntary Contribution arrangements

6.1. Provision of AVCs

The Plan previously provided a facility for members to pay Additional Voluntary Contributions (AVCs) to enhance their benefits at retirement. Members are offered a choice of funds in which to invest their AVC payments. The Trustees' objective is to provide vehicles which enable these members to generate suitable long-term returns, consistent with their reasonable expectations.

The Trustees consider that, in making a number of funds available, they provide these members with sufficient options to meet their reasonable expectations.

The investment funds are provided by Utmost, Clerical Medical, and Reassure.

6.2. Review process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of their monitoring of performance and process. The Trustees will review the appointment of the AVC providers in the light of their performance on a periodic basis.

Performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

7. Compliance statement

This Statement of Investment Principles has been prepared following consideration of written advice from a person who is reasonably believed by the Trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

Adopted by the Trustees of the St Dunstan's Retirement Benefits Plan (1973), 21 May 2024

Appendix 1 - Investment structure

Overall strategy

The Trustees have appointed the following fund managers to carry out the day-to-day investment of the Plan:

- Mercer Limited (Mercer);
- Towers Watson Investment Management (TWIM);
- Columbia Threadneedle Investments (CT).

The fund managers are authorised and regulated by the Financial Conduct Authority.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund managers on suitability of investments.

The balance between different kinds of investment

Portfolio	Asset class	Allocation (%)
Growth assets	Mercer growth portfolio	15%
	TWIM Partners Fund	30%
	Total Growth Portfolio	**45%**
Matching assets	CT LDI Funds (including the Ultra-Long Nominal Gilt Fund) Collateral funds: • Sterling Liquidity Fund • Net-Zero Low Duration Credit Fund	55%
	Total Matching Portfolio	**55%**
	Total	**100%**

Matching assets

The matching assets are invested in pooled Liability Driven Investments (LDI) funds, an Ultra-Long Gilt fund, a credit fund and a liquidity fund with CT. The main purpose of the matching assets is to protect the Plan's funding position from changes in interest rates and inflation expectations.

The Plan currently targets an interest rate hedge ratio of 98% and inflation hedge ratio of 98% as a percentage of total liabilities on the gilts + 0.25% basis. The hedge ratios are defined as follows:

$$Interest\ rate\ hedge\ ratio = \frac{PV01\ (Plan\ assets)}{PV01\ (Plan\ liabilities)}$$

$$Inflation\ hedge\ ratio = \frac{IE01\ (Plan\ assets)}{IE01\ (Plan\ liabilities)}$$

PV01 represents the sensitivity of the value of the assets/liabilities to unanticipated changes in interest rates, measured by the financial impact on the value of the assets/liabilities of a 0.01% fall in UK interest rates at all terms. IE01 represents the sensitivity of the value of the assets/liabilities to unanticipated changes in market-implied inflation expectations, measured by the financial impact on the value of the assets/liabilities of a 0.01% increase to UK RPI inflation at all terms.

In this context, the value of the Plan's liabilities should be calculated on the "gilts + 0.25%" actuarial basis. That is, the liabilities should be calculated using the actuarial basis used to determine the Plan's Technical Provisions but with the discount rates set equal to the yield on gilts plus 0.25% p.a.

Growth assets

The Growth Portfolio consists of a 15% allocation to a discretionary growth portfolio with Mercer and 30% in the TWIM Partners Fund.

The Mercer growth portfolio is a discretionary portfolio which invests in pooled funds, representing the illiquid holdings of a portfolio that previously held a wider range of assets. The holdings in this portfolio are expected to run-off over time as the underlying funds mature. The portfolio includes an allocation to cash to meet capital calls from the underlying investments.

The TWIM Partners Fund is a pooled investment fund.

Both the Mercer growth portfolio and the TWIM Partners Fund invest in a diverse portfolio of asset classes, including (but not limited to):

- Equities;
- Property;
- Credit;
- Public Market Alternatives;
- Private Markets.

Rebalancing

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between keeping the asset allocation in line with its benchmark and limiting the cost of rebalancing the asset allocation. The Trustee will rebalance the Plan's asset allocation when necessary.

In the normal course of events, in the first instance, monies held within the CT Sterling Liquidity Fund will be used as a source for future collateral calls for the LDI portfolio and to meet other cashflow requirements of the Plan. Where insufficient funds are held within the CT Sterling Liquidity Fund for this purpose, monies will be realised from the CT Net Zero Transition Low Duration Credit Fund.

The Trustees monitor the collateral adequacy of the LDI portfolio quarterly, to ensure that there are sufficient liquid assets to be able to meet potential collateral calls. The holding in the CT Sterling Liquidity Fund is intended to meet collateral calls associated with yield rises of up to 1.5%, and the holding in the CT Net-Zero Low Duration Credit Fund is intended to meet collateral calls associated with further yield rises of 2.5%, to take the overall yield headroom to 4%. The Trustees will consider options to improve the yield headroom if this falls below 3.5%.

New money is usually invested to rebalance the overall asset allocation towards its overall benchmark.

Appendix 2 - Investment Manager mandates and fees

Fees

	Mercer growth portfolio	TWIM Partners Fund	CT LDI
Annual management charge (AMC)	0.0375% p.a.	0.45% p.a. (includes 0.05% p.a. discounted fee for Barnett Waddingham clients)	0.28% p.a. on the first £15m invested for Dynamic LDI funds 0.125% p.a. for CT Net Zero Transition Low Duration Credit Fund 0.15% p.a. for CT Ultra-Long Nominal Gilt Fund. 0.10% p.a. for CT Sterling Liquidity Fund
Additional charges[1]	0.43% p.a. in underlying manager fees	0.96% p.a. in underlying manager fees Other fees and expenses of 0.11% p.a.	Additional fees and expenses of c. 0.19% p.a.
Total charges[2]	0.47% p.a.	1.52% p.a.	0.42% p.a.

[1]Underlying manager fees can vary over time and are dependent on the underlying asset mix of the fund
[2]Total charges excludes underlying manager performance-related fees

Fund benchmarks

Fund manager	Fund	Benchmark	Objective
Mercer	Growth portfolio	1 Month Sterling LIBID	Outperform benchmark by 4% p.a. net of underlying investment manager fees.
WTW	TWIM Partners Fund	n/a	CPI +5% p.a. over the long term.
CT	LDI Funds (incl. Ultra Long Nominal Gilt Fund)	The portfolio is comprised of profile funds which, when combined, are expected to provide a broad match to the liability profile of the Plan.	Each fund aims to provide a return in line with its benchmark.
	Sterling Liquidity Fund	7 Day Sterling LIBID	Perform in line with benchmark
	CT Net Zero Transition Low Duration Credit Fund	Short maturity UK gilts index + 1-1.5% p.a. over a full market cycle.	Perform in line with benchmark

The performance of the fund managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.