

Headlam Group Pension Plan
Statement of Investment Principles
March 2021

Version Update

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1.0 Introduction

This document constitutes the Statement of Investment Principles (the “**SIP**”) required under Section 35 of the Pensions Act 1995 for the Headlam Group Pension Plan (the “**Plan**”). It describes the investment policy being pursued for the Plan by the Trustees of the Headlam Group Pension Plan (the “**Trustees**”) and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (the “**2001 Myners Principles**” and subsequent revisions). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005 and 2015 and reflects the Pensions Regulator’s Code of Practice in relation to governance of DC pension schemes issued in July 2016.

The Trustees confirm that, before preparing this SIP, they have consulted with the sponsoring employer of the Plan and taken appropriate written advice from their Advisors. The Investment Advisor is River and Mercantile (R&M) Investments Limited and the Legal Advisor is Squire Sanders, collectively termed the “**Advisors**”.

The Trustees believe the Advisors to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge, and experience of the management of the investment arrangements that the Plan requires. The Trustees also confirm that they will consult with the Employer and take written advice from the relevant Advisors as part of any review of this SIP.

The Trustees are responsible for the strategic decisions regarding the investment of the Plan’s assets, but the day-to-day management has been delegated to the “**Platform Manager**” who provides the infrastructure for members to make investments (the “**platform**”) and the underlying **Investment Managers**, detailed in **Appendix B**. Where they are required to make an investment decision, the Trustees always receive written advice from the relevant Advisors first and believe that this ensures they are appropriately familiar with the issues concerned. The Trustee has delegated day-to-day investment decision making to R&M (the “**Fiduciary Manager**”).

In accordance with the Financial Services & Markets Act 2000 and Section 34(2) of the Pensions Act 1995, the Trustees set the general investment policy, but have delegated the day-to-day investment of the Plan’s assets to professional fund managers (the “**Underlying Managers**”). The Underlying Managers are authorised under the Financial Services & Markets Act 2000 to provide the expertise necessary to manage the investments of the Plan competently and will comply with the requirements of Section 36 of the Pensions Act 1995. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Plan.

1.1 Declaration

The Trustees acknowledge that it is their responsibility, with guidance from the Advisors, to ensure the assets of the Plan are invested in accordance with this SIP.

Signed *Ramona Tynnis* Date 20 April 2021

For and on behalf of the Trustees of the Headlam Group Pension Plan

2.0 *Plan Governance*

The Trustees are responsible for the governance and investment of the Plan's assets. They consider that the investment structure set out in this SIP is appropriate for the Plan, as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Underlying Managers, the Fiduciary Manager, the Platform Manager or the relevant Advisors, as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in **Appendix A**.

The Trustees acknowledge that they are responsible for any decisions or actions taken by any sub-committee.

3.0 *Investment Objectives*

The Trustees recognise that members have differing investment needs and that these may change during the course of the members' working lives. It also recognises that members have different attitudes to risk. The Trustees regard their duty as creating a robust default fund offering to cater for the proportion of the workforce who does not wish to actively manage their pension investments. This default should be focused on members' needs and outcomes.

The Trustees also adhere to making available a range of investment options (managed by high quality Investment Managers) sufficient to enable members who so choose, to tailor their investment strategy to their own needs.

The Trustees' objectives for the Plan are therefore:

- To provide members with a robust default solution which makes available vehicles designed to focus on members' needs by :
 - Optimising the value of members' assets at retirement;
 - Maintaining the purchasing power of members' savings; and
 - Protecting the value of accumulated assets as members approach retirement.
- To provide members with a range of investment options to enable them to tailor their investment strategy to their own needs, should they not wish to partake in the default solution.
- To avoid over-complexity in investment in order to keep administration costs and member understanding to a reasonable level.

4.0 *Investment Strategy*

Having considered advice from the Investment Advisor, and also having due regard for the objectives and the members of the Plan, the Trustees have made available a number of investment options. Members can choose to invest their contributions in one or more of these investment options, or may rely on the default strategy, as detailed in **Appendix B**.

The Trustees will ensure that each member's investments are invested in accordance with the fund options selected by the member.

4.1 **Investment Options**

The investment strategy involves a default lifestyling arrangement and a self-directed "**Self-Select**" option.

The default arrangement involves switching members across four pre-built blended funds as they approach retirement. Each blend has a different risk and return objective, thereby taking account of members' changing risk profiles as they approach retirement. The blended funds are intended to:

- Take account of market and industry developments
- Increase the level of active asset allocation to attempt to deliver more attractive returns
- Create a more stable journey for members

The Trustees have delegated the day to day decision making and asset allocation of the blended funds to the Fiduciary Manager, whilst retaining the decision on the high level risk and return objectives.

The range of Self-Select options available to members is limited to reduce the risk of inappropriate choices. Self-Select options include three of the blended funds underlying the default arrangement, thereby allowing members to make a risk based investment decision, as well as five funds broadly representing the more traditional universe of equities, bonds and cash.

Details of the blended funds and the Self-Select options are contained in **Appendix B**.

4.2 **Diversification**

The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

4.3 Suitability

The Trustees have taken advice from the Investment Advisor that the range of investment options offered to members is suitable. Members are responsible for choosing which of the funds is most appropriate or relying on the default strategy for the investment of their own and their employer's contributions, based on their own individual circumstances.

4.4 Active and Passive Management

The Trustees have taken advice from the Investment Advisor to ensure that the range of investment options offered to members is suitable. Members are responsible for choosing which of the Self-Select funds is most appropriate or choosing to rely on the default strategy for the investment of their own and their employer's contributions, based on their own individual circumstances.

4.5 Review

The Trustees will review, in conjunction with the Investment Advisors, any investment option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk which may be thought to be unreasonable in the context of the DC Section's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.

5.0 *Default Investment Strategy*

The Trustees have made available to members a default strategy.

5.1 **Aims and Objectives of the default strategy**

The Trustees' aims and objectives in relation to the default strategy are to support members' investment needs where members either choose the default option or do not choose any option. Broader aims and objectives in relation to the default strategy are set out in Section 3, titled 'Investment Objectives'.

5.2 **Trustees' Policies in relation to the default strategy**

- i. **The kinds of investment to be held** - the kinds of investments to be held within the default strategy are shown in Appendix B.
- ii. **The balance between different kinds of investments** - the balance between different investments within the default strategy is shown in Appendices B and C.
- iii. **Risks (including the ways in which risks are to be measured and managed)** - risks applicable to the Plan are shown in Section 9, titled 'Risks'. All of the risks shown, including how they are measured and managed, are relevant to the default strategy.
- iv. **Expected return on investments** - target objectives for each fund used within the default strategy are shown in Appendix B.
- v. **Realisation of investments** - funds used within the default strategy are unitised, pooled funds which are dealt daily.
- vi. **Financially material investment considerations and non-financial matters** - the extent to which the Trustees consider financially material considerations and non-financial matters, including, but not limited to, social, environmental or ethical issues is shown in Section 10, titled 'Other Considerations'.
- vii. **Corporate governance and stewardship policy** - the Trustees' policy in respect of these considerations is shown in Section 10, titled 'Other Considerations'.

5.3 **Best interests of members and beneficiaries**

Prior to offering the current default strategy, the Trustees carried out a comprehensive review in conjunction with the Investment Advisers, focussing on how best to deliver a good outcome for as many members as possible.

As a result of the review, the Trustees offer a default option that takes account of members' need for return within an acceptable level of risk, and how this need – in particular the tolerance for risk – is likely to change with age. The default option is subject to regular review and ongoing governance in conjunction with the advisers.

6.0 *Strategy Implementation*

6.1 **Investment Managers**

The Trustees have appointed Mobius Life Limited (“**Mobius Life**”) as the Platform Manager to provide the platform for member investments. Mobius Life will provide services related to transition execution and the creation of insured funds, with ongoing administration of funds (including blended funds) at an overall Plan level.

R&M are employed by the Trustee as Fiduciary Manager to provide investment and management services, as defined in the Fiduciary Management Arrangement (“**FMA**”) agreed between the Trustees and R&M. R&M must provide the Trustees with formal investment advice as required by Section 36 of the Pensions Act 1998.

The Trustees have selected a range of investment options for the members of the Plan. Full details are listed in **Appendix B**.

6.2 **Administrator**

Administration of member data is provided to the Trustees by XPS Administration.

6.3 **Fund Options**

The range of funds offered to members was chosen to give members a diversified range of investments from which they can select according to their individual circumstances both within the default arrangement and a self-directed Self-Select option. The funds available to members are detailed in **Appendix B**.

6.4 **Investment of Contributions**

A member’s contributions will be invested in line with their selected choice of funds. Where a member has not made an active selection, their contributions will be invested in the default fund provided, which is detailed in **Appendix B**.

6.5 **Transitions**

The Trustees, in conjunction with their Advisors, will look to mitigate the potential risks and costs to members as a result of any investment transitions to the best of its ability.

7.0 Monitoring

7.1 Investment Managers

The Trustees will monitor the performance of the Managers against their own benchmarks and/or against benchmarks the Trustees have selected.

The Trustees, or the Advisors on behalf of the Trustees, will regularly review the activities of the Fiduciary Managers to satisfy themselves that the Fiduciary Manager continues to have the appropriate knowledge and experience to provide fiduciary management services to the Plan.

As part of this review, the Trustees will consider whether or not the Fiduciary Manager:

- Is carrying out his work competently. The Trustees will evaluate the Fiduciary Manager based on, amongst other things:
 - The default strategy and self-select fund performance versus their respective benchmarks
 - The level of risk within the portfolios given specified risk tolerances
 - Whether it has regard to the suitability of each investment and each category of investment.
 - Whether it has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees or the Advisors on behalf of the Trustees are not satisfied with the Fiduciary Manager they will ask the Fiduciary Manager to take steps to rectify the situation. If the Fiduciary Manager still does not meet the Trustees' requirements, the Fiduciary Manager will be removed and another appointed.

7.2 Advisors

The Trustees will monitor the advice given by the Advisors on a regular basis.

7.3 Statement of Investment Principles

The Trustees will review this SIP at least triennially, or as soon as is practical following any changes to the investment strategy, and modify it with consultation from the relevant Advisors and the Employer if deemed appropriate. There will be no obligation to change this SIP, the Fiduciary Manager, Platform Manager or Advisor as part of such a review.

7.4 Trustees

The Trustees maintains a record of all investment related decisions it has taken, together with the rationale in each case.

8.0 Fees

8.1 Investment Managers

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly.

8.2 Platform Manager

The Platform Manager charges fees as a proportion of the size of assets invested. The charge is deducted from assets.

8.3 Advisors

Fees paid to the Advisors are based either on actual time spent and hourly rates for relevant individuals, as a basis point charge based on the size of the Plans assets or on fixed fees agreed in advance for specifically defined projects. Fees paid to the Advisors are either paid out of members' assets or met by the Employer.

8.4 Custodian

There is no custodian appointed directly by the Trustees.

8.5 Value for Members

The Trustees review all sources of fees levied on members' accounts (including management charges, additional expenses and platform charges as appropriate) to ensure value for members is present. The Trustees consider, among other items, the absolute level of charges, the competitiveness of the Plan's charges relative to the marketplace and the levels of service provided by each of the Advisors.

9.0 Risks

The Trustees recognise a number of key risks to themselves and to the members of the Plan:

- i. **Value for Member Risk** – the risk that the Plan fails to offer value for members. This is addressed through regular reviews of the charges levied on members' assets.
- ii. **Inflation Risk** – the risk that the purchasing power of their investment account is not maintained. To manage this risk, the Trustees have offered a range of funds designed to achieve a return above the rate of inflation.
- iii. **Pension Purchase Risk** – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. This risk cannot easily be mitigated as it depends on market conditions for annuity rates at retirement. However, the Trustees have offered options which are designed to move in line with annuity prices. Annuity price matching is a key part of the default solution as members approach retirement.
- iv. **Capital Risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained. To mitigate this risk, the Trustees have offered a range of funds designed to achieve a return above the rate of inflation.
- v. **Active Manager Risk** – the risk that the active investments underlying the Plan's investment options underperform due to the underlying investment manager underperformance. The Trustees have mitigated this risk by delegating fiduciary responsibilities to the Fiduciary Manager. The Fiduciary Manager utilises a wide range of funds, diversified across asset class, sub asset class and investment manager to reduce the active manager risk.

This risk also relates to underperformance arising from underperformance of the Fiduciary Manager in its delegated duties. The Trustees mitigate this risk through frequent performance monitoring and governance.
- vi. **Platform Risk** – the assets are currently held by the Platform Manager. This risk relates to potential losses that could arise if the Platform Manager ran into financial difficulties. The Trustees, in conjunction with their Advisors, considered the choice of platform at the implementation phase of the current strategy, to ensure they were comfortable with the choice of Platform Manager. The Trustees and their Advisors continue to monitor the Platform Manager to ensure they remain comfortable.
- vii. **Communication Risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Advisors and regular monitoring and updates, where appropriate, of member communications.
- viii. **Inappropriate Member Decision** – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice. The

Trustees have also offered a default fund with a “Lifestyling element” designed to phase members into lower risk and annuity price matching investments as they approach retirement.

- ix. Liquidity Risk** – the risk that members are not able to realise the value of their funds when required. The Trustees have addressed this risk by not offering funds which are considered illiquid.
- x. Environmental, Social and Governance (“ESG”) Risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Managers where applicable, or by requesting information on the ESG policies, adopted by the Managers.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become significant as retirement approaches.

The Trustees have provided a lifestyle option that aims to address the above risks through a member’s life. The Fiduciary Manager may vary the underlying asset allocation and investment managers within this option from time to time in response to changing market conditions and manager developments. This may include the use of derivatives.

In addition to the risks noted above, the Trustees also recognise the options they have selected are subject to underperformance risk. This is addressed through providing options with appropriate diversification and through regular monitoring of the active managers’ performance, processes and capabilities with respect to their mandate, as well as by the use of more than one manager to avoid over exposure to one organisation.

The Trustees will keep these risks and how they are measured and managed under regular review.

10.0 *Other Considerations*

10.1 **Corporate Governance and Stewardship Policy**

The Trustees and Fiduciary Manager have agreed, and will maintain, formal agreements setting out the scope of the Fiduciary Manager's activities, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustees have appointed the Fiduciary Manager to implement the Plan's investment strategy. The Investment Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Fiduciary Manager is appointed to carry out its role on an ongoing basis. The Trustees periodically review the overall value-for-money of using R&M Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustees are satisfied that these arrangements incentivise the Fiduciary Manager (as detailed further below):

- to align its investment strategy and decisions with the Trustees' investment policies, such as their return target and restrictions detailed in the Fiduciary Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuer of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of this will contribute to the Plan's performance, which is measured relative to the Trustees' long-term performance objectives.

The Plan's investments are made primarily via pooled investment funds via the Platform Manager, in which such investments are pooled with those of other investors. As such, direct control of engaging with companies that issues these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Platform Manager. The Platform Manager has in place a voting policy in respect of general meetings of a pooled fund.

The Trustees have delegated responsibility to the Platform Manager for monitoring and voting on decisions relating to the pooled funds where the Platform Manager has voting rights. The Platform Manager has in place a voting policy in respect of general meetings of a pooled fund.

Some of the Plan's investments may be held via instruments that the Platform Manager does not hold voting rights for, such as exchange traded funds ("ETFs"). For such holdings, the Trustee has delegated responsibility for monitoring and voting on decisions relating to the holdings to the Fiduciary Manager. The Fiduciary Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund, which also applies to such instruments where the Fiduciary Manager has voting rights on behalf of the Trustees. For any special resolutions or extraordinary general meetings, the proposed votes of the Fiduciary Manager are subject to additional sign-off by the appropriate representative from the Fiduciary Manager.

The Fiduciary Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Fiduciary Manager reviews the governance structures of the Underlying Managers, as well as assessing whether their fees, expenses and any other charges are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustees' objectives. The method and time horizon for evaluating and remunerating Underlying Managers are determined by criteria set by the Fiduciary Manager, as detailed above.

The Trustees acknowledge the inherent potential conflicts of interest which exist as part of ongoing investment management business activities. As an FCA-regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Fiduciary Manager directly monitors these as part of the Underlying Managers' regulatory filings (where available). The Fiduciary Manager also monitors this as part of ongoing review. The Fiduciary Manager's Conflict of Interest policy is available publicly here:

https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The Fiduciary Manager oversees the turnover costs incurred by the Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Fiduciary Manager's expectations. Where there are material deviations the Fiduciary Manager engages with Underlying Managers to understand the rationale for such deviations and takes appropriate action.

10.2 Financially material investment considerations

The Trustees do believe that environmental, social, governance issues can have an impact on the financial performance of investments and so believe that they should be taken into account by the Fiduciary Manager and Investment Managers when selecting and reviewing investments. The Trustees delegate consideration of financially material factors to the

Platform Manager, who considers these factors for funds that are available to beneficiaries through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long term performance, by the Trustees (in conjunction with its advisors) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustees request the Platform Manager monitors ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

The Trustees have elected not to offer an explicit ESG-focused investment option on a self-select basis at this time. The Trustees will keep this option, and their overall approach to reflecting ESG factors, under review as the market develops.

The Platform Manager charges fees as a proportion of the size of assets invested. The charge is deducted from assets.

10.3 Non-financial matters

The Trustees do not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.

10.4 Security of Assets

The Trustees are aware of the importance of the safe custody and security of members' funds. The Plan's assets are held via an investment policy with the Platform Manager. The Financial Services Compensation Scheme ('FSCS') would provide cover to the Plan in the event of insolvency of the Platform Manager, who also has contractual agreements in place with underlying managers and would seek compensation as a result of insolvency of underlying managers and other related parties. Appropriate due diligence is done on the financial strength, custody and administration agreements of the underlying investment managers and Platform Manager before an appointment is made and this is reviewed regularly by the Advisers in conjunction with the Trustees.

Appendix A - Responsibilities

Trustees

The main investment related responsibilities of the Trustees in relation to the Plan include:

- i. Reviewing, at least triennially (or following significant changes to the investment strategy), the content of this SIP and modifying it if deemed appropriate.
- ii. Reviewing the investment policy for the Plan in terms of providing a range of funds from which members may choose to invest (see **Appendix B**).
- iii. Assessing the quality of the performance and process of the Underlying Managers and Fiduciary Managers by means of regular reviews of the investment results and other information, through meetings and written reports.
- iv. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
- v. Assessing the performance of the Advisors.
- vi. Consulting with the Employer when reviewing investment policy issues.
- vii. Providing any appointed organisations/individuals with a copy of the SIP, where appropriate.

Platform Manager

The main responsibilities of the Platform Manager are:

- i. At its discretion, but within the guidelines agreed with the Trustees, selecting and undertaking transactions in specific investments within each fund.
- ii. Acting in accordance with the principles set out in the SIP.
- iii. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including:
 - Performance and rationale behind past and future strategy for fund options offered to members.
 - A full valuation of the assets.
 - A transaction report.
- iv. Informing the Trustees immediately of:
 - Any serious breach of internal operating procedures.
 - Any material change in the knowledge and experience of those involved in managing the Plan's investment options.

Investment Advisor

The Trustees have appointed R&M in a dual role as both Investment Advisor and Fiduciary Manager of the Plan's assets. The main responsibilities of R&M as Investment Advisor are:

- i. Participating with the Trustees in reviews of this SIP.
- ii. Informing the Trustees of any material breaches of this SIP, internal operating procedures or changes in the knowledge and experience of those involved in managing the Plan's investment options.
- iii. Advising the Trustees of any changes in the Plan's Investment Managers or Platform Manager that could affect the interests of the Plan.
- iv. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Plan.
- v. Undertaking reviews of the Plan's investment arrangements including reviews of the Plan structure, current Managers, and selection of new managers as appropriate.

Fiduciary Manager

The main responsibilities of R&M as Fiduciary Managers include:

- i. Investment Management services as set out in the Fiduciary Management Agreement ('FMA') and below.
- ii. At the discretion of R&M but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.
- iii. Selecting the Platform Manager, which the Trustees appoint in order to make use of the Fiduciary Manager's services.

Legal Advisor

The Legal Advisor will be responsible for, amongst other things:

- I. Liaising with the Trustees to ensure legal compliance including those in respect of investment matters.

Appendix B – Investment Options

This Appendix provides detail on the investment choices for members alongside return objectives and risk management guidelines.

The Trustees provide a default **Lifestyle** option for members who prefer to invest in a pre-determined investment strategy. For this option, the asset allocation automatically changes as members approach retirement to reflect members' changing risk and return requirements.

Alternatively, members can choose from a range of **Self-Select** investment options, which allows them to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective. The Self-Select offering includes three additional lifestyle options, targeting different retirement income decisions.

Default Lifestyle Option

The Lifestyle option will be the default where a member does not make a specific investment choice. The Lifestyle option phases a member's funds through four Blended Funds as retirement approaches:

1. Long Term Growth Fund
2. Stable Growth Fund
3. Pre-Retirement Wealth Builder Fund
4. Retirement Focus Fund

This is shown in the chart below. A more detailed breakdown of the phasing a member might experience over the four Blended Funds is shown in **Appendix C**.



R&M as Fiduciary Manager may vary the underlying asset allocation and investment managers within Blended Funds from time to time in response to changing market conditions and manager developments. This may include the use of derivatives for annuity risk management purposes.

The individual funds underlying the blended funds in the Lifestyle Option are set out in Appendix D, separate to this document. R&M as Fiduciary Managers may add or remove funds from time to time as market conditions and manager developments dictate.

Objectives for the Blended Funds underlying the Lifestyle option are set out in more detail in the following tables, along with their investment restrictions:

	Asset Class	Min (%)	Central (%)	Max (%)
Headlam Long Term Growth Investment Restrictions	Equity	30	65	90
	Investment Grade Credit	0	0	60
	Non-Investment Grade Credit	0	25	40
	Property	0	0	15
	Gilts	0	5	60
	Cash or equivalent	0	5	60
	Alternatives	0	0	20
Investment Objectives				
Long Term Target (over rolling 3 to 5 yrs)	CPI + 5% pa			
Short Term Market Comparator (each quarter)	Composite benchmark of indices: 65% Global Equity, 25% Credit, 5% Gilts, 5% Cash			
Risk Management (each quarter)	Volatility 3/4 of that of Equity			

	Asset Class	Min (%)	Central (%)	Max (%)
Headlam Stable Growth Investment Restrictions	Equity	20	50	70
	Investment Grade Credit	0	10	60
	Non-Investment Grade Credit	0	25	40
	Property	0	0	12.5
	Gilts	0	10	60
	Cash or equivalent	0	5	60
	Alternatives	0	0	15
Investment Objectives				
Long Term Target (over rolling 3 to 5 yrs)	CPI + 4% pa			
Short Term Market Comparator (each quarter)	Composite benchmark of indices: 50% Global Equity, 35% Credit, 10% Gilts, 5% Cash			
Risk Management (each quarter)	Volatility 2/3 of that of Equity			

	Asset Class	Min (%)	Central (%)	Max (%)
Headlam Pre-Retirement Wealth Builder Investment Restrictions	Equity	15	40	55
	Investment Grade Credit	0	10	45
	Non-Investment Grade Credit	0	20	30
	Property	0	0	10
	Gilts	0	25	70
	Cash or equivalents	0	5	70
	Alternatives	0	0	15
Investment Objectives				
Long Term Target (over rolling 3 to 5 yrs)	CPI + 3% pa			
Short Term Market Comparator (each quarter)	Composite benchmark of indices: 40% Global Equity, 30% Credit, 25% Gilts, 5% Cash			
Risk Management (each quarter)	Volatility 60% of that of Equity			

	Asset Class	Min (%)	Central (%)	Max (%)
Headlam Retirement Focus Investment Restrictions	R&M Annuity Focus Fund	20	25	30
	R&M Cash Fund	20	25	30
	Pre-Retirement Wealth Builder	45	50	55
Investment Objectives				
Long Term Target (over rolling 3 to 5 yrs)	Composite benchmark of indices: 50% Pre-Retirement Wealth Builder, 25% Annuity Focus and 25% Cash			
Short Term Market Comparator (each quarter)	Composite benchmark of indices: 50% Pre-Retirement Wealth Builder, 25% Annuity Focus and 25% Cash			
Fund aim	This fund aims to provide an 'at retirement' mix of investments which the Trustee consider suitable for the Scheme membership as a whole, particularly those who have not made a decision about how they wish to access their pension pot on retirement.			

The following funds are not available as investible options but are components of the Retirement Focus Fund(s).

R&M	Asset Class	Min (%)	Central (%)	Max (%)
Annuity Focus Investment Restrictions	Investment Grade Credit	25	30	35
	Gilts	65	70	75
	Cash	0	0	10
Investment Objectives				
Long Term Target (over rolling 3 to 5 yrs)	50% All Stocks Fixed Interest Gilts, 30% All Stocks Corporate Bonds, 20% Over 15 Year Inflation-Linked Gilts			
Short Term Benchmark (each quarter)	50% All Stocks Fixed Interest Gilts, 30% All Stocks Corporate Bonds, 20% Over 15 Year Inflation-Linked Gilts			
Risk Management (each quarter)	Volatility 4% above that of the Long Term Target / Short Term Benchmark			

R&M	Asset Class	Min (%)	Central (%)	Max (%)
Cash Fund Investment Restrictions	Cash	0	100	100
Investment Objectives				
Long Term Target (over rolling 3 to 5 yrs)	100% LIBID 7 day			
Short Term Benchmark (each quarter)	100% LIBID 7 day			
Risk Management (each quarter)	n/a			

Self-Select Option – standalone funds

The Self-Select option allows members to choose from a selection of Blended Funds and individual asset class funds based on their own attitude to risk, term to retirement and investment objective. The Self-Select lifestyle options are covered overleaf.

The Trustees, in conjunction with their Fiduciary Manager, may vary the underlying asset allocation and investment managers within the funds from time to time in response to changing market conditions and manager developments

The individual funds underlying the Self-Select funds as at the date of this Statement of Investment Principles are set out below:

Self-Select Option	Underlying Fund	Target Objective	Active / Passive
Headlam Global Equity Fund	LGIM 30:70 Currency Hedged Global Equity	Outperform the composite Benchmark of 30% FTSE All-Share Index, 70% FTSE All-World (ex-UK) with a 75% GBP Hedge.	Passive
Headlam Corporate Bond Fund	LGIM Corporate Bond All Stocks	Performance in line with the iBoxx £ Non-Gilts (All Stocks) Index	Passive
Headlam Inflation Linked Annuity Targeting Fund	LGIM Pre-Retirement Inflation Linked Fund	Diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical inflation-linked annuity product	Passive
Headlam Fixed Annuity Targeting Fund	LGIM Pre-Retirement Fund	Diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product	Passive
Headlam Cash	LGIM Cash	Outperform the Benchmark 7 Day LIBID rate	Active
Headlam Long Term Growth	As above	As above	Active
Headlam Stable Growth	As above	As above	Active
Headlam Pre-Retirement Wealth Builder	As above	As above	Active

Self-select Option – lifestyle funds

As part of the Self-Select range the Trustees have also made available lifestyle options that reflect different retirement income decisions – namely income drawdown, annuity purchase and encashment. These options aim to accommodate members who know they wish to access their benefits from the Plan in one of these forms.

The lifestyle profile of these options is the same as the default Lifestyle, up to three years from retirement. Thereafter, the lifestyle options gradually phase from 100% Pre-Retirement Wealth-Builder to the Retirement Focus funds set out below:

Self-Select Lifestyle Option	Retirement Focus Fund	Underlying Funds	Active / Passive
Income drawdown-targeting	Headlam Retirement Focus (Income Drawdown Planning)	75% Headlam Pre-Retirement Wealth Builder; 25% R&M Cash Fund	Active
Annuity purchase-targeting	Headlam Retirement Focus (Annuity Planning)	75% R&M Annuity Focus Fund; 25% R&M Cash Fund	Active
Encashment-targeting	Headlam Retirement Focus (Cash Planning)	100% R&M Cash Fund	Active

Appendix C – Default Lifestyle Age Matrix

The matrix below details an example of a member's lifestyle progression across the four Blended Funds, assuming a retirement age of 65.

Age now	Long Term Growth Fund	Stable Growth Fund	Pre-Retirement Wealth Builder Fund	Retirement Focus Fund
18 - 25	100			
26	100			
27	100			
28	100			
29	100			
30	100			
31	100			
32	100			
33	100			
34	100			
35	100	0		
36	80	20		
37	60	40		
38	40	60		
39	20	80		
40	0	100		
41		100		
42		100		
43		100		
44		100		
45		100		
46		100		
47		100		
48		100		
49		100		
50		100	0	
51		80	20	
52		60	40	
53		40	60	
54		20	80	
55		0	100	
56			100	
57			100	
58			100	
59			100	
60			100	
61			100	
62			100	0
62.25			92	8
62.50			83	17
62.75			75	25
63			67	33
63.25			58	42
63.50			50	50
63.75			42	58
64			33	67
64.25			25	75
64.50			17	83
64.75			8	92
65			0	100