Statement of Investment Principles for the Clarkson PLC Pension Scheme

6 August 2020

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Clarkson PLC Pension Scheme ("the Trustees") on various matters governing decisions about the investments of the Clarkson PLC Pension Scheme ("the Scheme"), a Scheme with Defined Benefit ("DB") and Defined Contribution ("DC") sections. This SIP replaces the previous SIP dated September 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 for DC Schemes and the Pension Regulator's guidance for DB pension schemes (March 2017).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustees have consulted with the relevant employer, Clarkson PLC, in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members in respect of the DC Section, and at least once every three years.

- Appendix 1 sets out details of the Scheme's investment governance structure, including the key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

- Appendix 2 sets out the Trustees' policy towards risk appetite, capacity, measurement and management.

- Appendix 3 sets out the Scheme's investment manager arrangements.

2. Investment objectives

The Trustees' primary objective for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due.

A secondary objective is that the Scheme should be fully funded (ie the asset value should be at least that of its liabilities). The Trustees are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme. The Trustees are monitoring the Scheme's funding position relative to reaching full funding on a "gilts + 0.5% pa" basis. In 2018 the Scheme reached that funding target and as a result the Trustees and Company agreed to move to a lower risk long term asset mix.

The Trustees' investment objective is to maximise the return on the Scheme's assets whilst managing and maintaining investment risk at an appropriate level and taking into account the primary objective.

The Trustees' primary objectives for the DC Section are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustees believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the employer, reviewed the investment strategy for the DB and DC Sections in 2016 and 2017, taking into account the objectives described in Section 2 above.

In 2018 the DB pension Scheme reached its 100% funding level de-risking trigger on a "gilts + 0.5% pa" basis and the Trustees agreed to de-risk the investment strategy and move towards a lower risk long-term strategy asset mix. The table in Section 3.1 reflects the long-term strategy asset mix.

3.1. DB Investment strategy

As a result of reaching the de-risking trigger ie the Scheme reaching a 100% funding level on a "gilts + 0.5% pa" basis in 2018 the Trustees agreed to reduce the level of risk within the investment strategy and lock in gains made by the Scheme's investments. As such, the Trustees agreed that the Scheme should move to the long-term allocation below.

Asset class	Long term strategic allocation
Multi-asset absolute return	25%
Corporate bonds	30%
Index-linked gilts	45%
Total	100%

There is no formal rebalancing policy for the Scheme's overall assets.

3.2. DC Investment Strategy

For the DC Section of the Scheme, the Trustees have made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The default option was designed to be in the best interests of the majority of the members based on the demographics of the Scheme's membership following a review in late 2016 / early 2017. The default option targets drawdown at retirement, since the Trustees believe that most members will wish to take their benefits in this form. Therefore, it is initially invested in assets that have a relatively high expected return aiming for growth, and then as the member approaches retirement it gradually switches into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking an income drawdown option.

The objective for the default option is to provide a long-term return in excess of inflation while displaying less volatility than a pure equity approach in the middle growth phase and reducing volatility for members approaching retirement age.

The Trustees will review the default strategy and investment options at least every three years and as soon as practicable after any significant change in legislation, investment policy, or the demographic profile of relevant members. The Trustees will also monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key financial assumption made by the Trustees in determining the investment arrangements are that:

- equity-type investments will, over the long term, outperform gilts by 5% pa;
- multi-asset absolute return investments will, over the long term, outperform gilts by 3% pa; and
- corporate bond investments will, over the long term, outperform gilts by 0.9% pa.

In setting the strategy for the DB Section the Trustees also took into account:

- the best interests of members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and balance of individual asset risks are appropriate; any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Scheme (see p4); and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the DC Section the Trustees also took into account:

- the best interests of members and beneficiaries;

- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies;
- the need for appropriate diversification within the default strategy and between the other investment options offered to members;
- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Scheme; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors (see section 7);
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment strategy decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

In respect of the DC Section, the Trustees have entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

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

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

In respect of the DC Section, the Trustees have entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

The Trustees have signed agreements with a platform provider in respect of the DC Section setting out in detail the terms on which the portfolios are to be managed.

The Trustees and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

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

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

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

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

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

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

For the DB Section, when appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees' preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, the Trustees' policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

For the DC Section, the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Consideration of financially material and non-financial matters

The Trustees have considered how environmental, social, governance and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees consider that it is necessary in all circumstances to act in the best financial interests of the beneficiaries. Where this primary consideration is not prejudiced, the Trustees expect that their investment managers take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.

The Trustees cannot usually directly influence investment managers' policies on environmental, social, governance and ethical factors where assets are held in pooled funds; this is due to their collective nature, but they encourage their managers to improve their practices were appropriate. The Trustees recognise that some members may wish to invest specifically in ethical compliant funds and offers members an appropriate fund to achieve this.

8. Stewardship

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect their investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries.

The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees reviews how these are implemented in practice.

SIP signed for and on behalf of the Trustees of the Scheme:

Signed: ____

Date: **6 August 2020**

Responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Scheme's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Platform provider

The DC investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers;
- ensuring that funds are priced correctly;
- providing the Trustees with regular information concerning the management and performance of the assets; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

3. Investment managers

In broad terms, the investment managers will be responsible for:

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

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

4. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- for the DB Section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- for the DC Section, advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustees in reviews of this SIP.

5. Fee structures

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

The Trustees have agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

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

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

6. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustees will also carry out periodically an assessment of their own effectiveness as a decision-making body and will decide how this may then be reported to members.

Policy towards risk, risk measurement and risk management

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

For the DB Section, a key objective of the Trustees is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

In the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustees have made the default option a "lifestyle" strategy which automatically combines investments in pre-defined proportions that vary, and aim to decrease the level of expected investment risk, towards a member's retirement age.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Scheme's DB assets and DC default strategy are adequately diversified between different asset classes and within each asset class, and the DC options provide a suitably diversified range for members to choose from. This was key consideration when determining the Scheme's investment arrangements.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis.

4. Liquidity/marketability risk

For the DB Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the DC Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees manage this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

5. Environmental, social and governance (ESG) risks

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

6. Risk from excessive charges

Within the DC Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent good value for members.

7. Credit risk

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

The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage their exposure to credit risk by only investing in pooled corporate bond funds that have a diversified exposure to different credit issuers, and only invest in bonds that are classified as "investment grade".

8. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value.

The Trustees believe that equity risk is a rewarded investment risk, over the long term.

The Trustees consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

9. Currency risk

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

10. Interest rate and inflation risk

The DB Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposure to these risks in this manner.

11 Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and take these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples for the DB Section include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Investment manager arrangements

Details of the investment managers, their objectives and investment guidelines are set out below.

1. The Defined Benefit Section

1.1. Newton- Multi-asset absolute return

The Scheme invests in multi-asset absolute return through Newton's Real Return pooled fund. The objective of this fund is to outperform the return of the 1month GBP LIBOR by 4% pa, before the deduction of fees, over rolling five-year periods. The fund is priced daily. The fund is open-ended and listed.

1.2. Schroders- Multi-asset absolute return

The Scheme invests in multi-asset absolute return through Schroder's Life Diversified Growth pooled fund. The objective of this fund is to outperform CPI by 5% pa, before the deduction of fees, over an economic cycle. The fund is priced daily. The fund is open-ended and listed.

1.3. Legal & General- Corporate bonds

The Scheme invests in corporate bonds through L&G's Investment Grade Corporate Bond Over 15 Years Index pooled fund. The objective of this fund it to track the performance of the Markit iBoxx £ Non-Gilts Over 15 Year Index to within +/- 0.5% pa for two years out of three. The fund is priced weekly. The fund is open-ended and unlisted.

1.4. UBS index-linked gilts

The Scheme's invests in UBS's Over 5yr Index-Linked Gilts pooled fund. The objective of this fund is to track the performance of the FTSE Actuaries Government Securities Index-Linked (Over 5 Year) benchmark. The fund is priced daily. The fund is open-ended.

Additional Voluntary Contributions

The Trustees holds legacy AVC arrangements with Fidelity and Standard Life (with-profits only).

2. The Defined Contribution Section

The Trustees make available a range of passively and actively managed self-select funds and a lifestyle strategy, details of which are set out below. The default option is the "Drawdown Lifestyle" strategy. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The fund options are provided to members via an investment platform arrangement with Fidelity. Fidelity also provides administration services to the DC Section. The funds are all priced daily.

2.1. Self-select fund options

The Trustees make available the following passively and actively managed pooled funds.

White-labelled Fund name	Objective	Benchmark / Target	Underlying fund(s)
Passive Funds			
Passive Global Equity Fund	Invests in shares of companies and aims to perform in line with the benchmark.	10% FTSE All Share Index, 90% FTSE All-World Developed ex-UK Index	10% BlackRock DC UK Equity Index 90% BlackRock World (Ex-UK) Equity Index
Passive Inflation Linked Bond Fund	Invests in UK government bonds with a maturity period of less than 5 years and aims to produce a return in line with its benchmark.	FTSE UK Gilts Index-Linked Over 5 Years Index	BlackRock Over 5 Year Index-Linked Gilt Index
Passive UK Equity	Invests in shares of UK companies and aims to produce a return in line with its benchmark.	FTSE All Share Index	BlackRock DC UK Equity Index
Passive Diversified Growth Fund	To achieve a total return for investors, investing primarily in global collective investments schemes across several asset classes including: equity or fixed income transferable securities, money-market instruments, deposits and cash and near cash. The Fund will aim to have between 40-85% of its investment exposure in equity securities.	ABI Mixed Investment 40-85% Shares	BlackRock Consensus
Passive Corporate Bond Fund	Invests in investment grade corporate bonds denominated in sterling with a maturity period of 15 years or longer and aims to produce a return in line with its benchmark.	iBoxx £ Non-Gilts Over 15 Years Index	BlackRock Over 15 Year Corporate Bond Index
Ethical Global Equity Fund	To closely track the FTSE4Good and provide real long-term growth whilst avoiding investing in companies that have a	FTSE4Good Developed Index	LGIM Ethical Global Equity Fund

White-labelled Fund name	Objective	Benchmark / Target	Underlying fund(s)
	negative social or environmental impact.		
Active Funds			
Diversified Growth Fund	To provide a total return comprised of income and capital growth by investing in a range of asset classes including equities, bonds, commodities, property and alternatives.	50% UK RPI plus 5% pa 50% 1 month LIBOR plus 4% pa	50% Schroders Diversified Growth Fund 50% Newton Real Return
Low Volatility Bond Fund	To provide a total return comprised of income and capital growth by investing in a range of fixed income asset classes and strategies including government bonds, investment grade and high yield credit, asset backed securities, secured loans, currencies, interest rates, relative value investments and derivatives.	1 month LIBOR plus 2% pa	Newton Global Dynamic Bond Fund
Cash Fund	To provide short-term liquidity by investing in money market instruments, bonds and cash	LIBID 1 Week Index	Fidelity Cash

2.2. The default strategy

For members that do not make an active choice regarding their investments, the Trustees has set the default option to be the “Drawdown Lifestyle” strategy. The default follows a pre-agreed investment strategy and provides an automated investment switching facility which will move members’ funds from higher risk/return investments into lower risk/return investments as retirement approaches.

Primary Objective	To maximise returns over the long term at an acceptable level of risk.	To provide exposure to lower risk assets which minimise volatility whilst maintaining an absolute return focus as members approach retirement.
Purpose	To generate returns significantly above inflation.	To transition the assets from the growth phase into lower risk diversified growth and absolute return

		funds to reduce the probability of severe losses close to retirement.
Funds	Passive Global Equity Fund Diversified Growth Fund Low Volatility Bond Fund Fidelity Cash Fund	
Lifestyling	The default lifestyle arrangement has been designed to automatically and progressively de-risk members' portfolios as the members approach retirement.	
Switching Period	20 Years	
Growth Phase	Passive Global Equity Fund	
Consolidation Phase	**Switch to:** Diversified Growth Fund Low Volatility Bond Fund Fidelity Cash Fund	

Years to selected retirement age	Passive Global Equity Fund	Diversified Growth Fund	Low Volatility Bond Fund	Fidelity Cash Fund	Total
20+	100	0	0	0	100%
19	95	5	0	0	100%
18	90	10	0	0	100%
17	85	15	0	0	100%
16	80	20	0	0	100%
15	75	25	0	0	100%
14	70	30	0	0	100%
13	65	35	0	0	100%
12	60	40	0	0	100%
11	55	45	0	0	100%
10	50	50	0	0	100%
9	45	50	5	0	100%
8	40	50	10	0	100%
7	35	50	15	0	100%
6	30	50	20	0	100%
5	25	50	25	0	100%
4	20	50	25	5	100%
3	15	50	25	10	100%
2	10	50	25	15	100%
1	5	50	25	20	100%
0	0	50	25	25	100%