

# Statement of Investment Principles for The Law Debenture Pension Plan

1 December 2021

Page 1 of 16

## 1. Introduction

This Statement of Investment Principles (“SIP”) sets out the policy of Open Trustees Limited (“the Trustee”) on various matters governing decisions about the investments of the Law Debenture Pension Plan (“the Plan”), a Defined Benefit (“DB”) Plan. This SIP replaces the previous SIP dated August 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”), the Occupational Pension Plans (Investment) Regulations 2005, and the Occupational Pension Plans (Charges and Governance) Regulations 2015.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan’s investment adviser, whom the Trustee believes 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 Plan, and the principles contained in this SIP. The Trustee has consulted with the relevant employers in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Appendix 1 contains brief details of the respective responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

## 2. Investment objectives

The Trustee’s primary objectives are that:

- the Plan should be able to meet benefit payments as they fall due; and
- that the Plan’s funding position (ie the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustee is aware that there are various measures of funding, and has given due weight to those considered most relevant to the Plan.

In addition to these primary objectives, the Trustee has the following objectives:

- that the Plan should be fully funded on a technical provisions basis, with a secondary objective of being fully funded on a self-sufficiency basis (defined as gilts + 0.5% pa) in the longer term; and
- that the expected return of the Plan assets is maximised whilst managing and maintaining risk at an appropriate level.

### 3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employers, last considered the Plan's investment strategy in April 2021, taking into account the objectives described in Section 2 above.

The result of the review was that the Trustee agreed that the investment strategy of the Plan should be based on the allocation below.

| Asset class                     | Benchmark allocation<br>(%) | Control range<br>(%) |
|---------------------------------|-----------------------------|----------------------|
| UK equities                     | 18.0                        | 15-21                |
| Overseas equities               | 22.0                        |                      |
| <i>North American equities</i>  | 6.0                         | 3-9                  |
| <i>European equities</i>        | 4.0                         | 2-6                  |
| <i>Japanese equities</i>        | 3.0                         | 1-5                  |
| <i>Pacific basin equities</i>   | 3.0                         | 1-5                  |
| <i>Emerging market equities</i> | 6.0                         | 3-9                  |
| <b>Total equities</b>           | <b>40.0</b>                 |                      |
| <b>Diversified Growth Funds</b> | <b>15.0</b>                 | <b>12.5-17.5</b>     |
| <b>Infrastructure</b>           | <b>10.0</b>                 | <b>7.5-12.5</b>      |
| <b>Corporate bonds</b>          | <b>10.0</b>                 | <b>8-12</b>          |
| <b>LDI &amp; Liquidity</b>      | <b>25.0</b>                 | <b>n/a</b>           |
| <b>Total</b>                    | <b>100.0</b>                |                      |

The Trustee's allocation to LDI & Liquidity is designed to hedge around 70% of the interest rate and inflation risk of the liabilities of the Plan (as measured on a Technical Provisions basis) and the percentage allocation of the Plan's assets to this asset class may materially differ from the 25% outlined in the table above. As a result, the Trustee is aware that the Plan's actual allocation could be outside of the permitted control ranges over time. The Trustee will monitor the allocations to different asset classes from time to time and look to rebalance towards the strategic allocations if appropriate.

The Trustee's rebalancing policy is set out in Appendix 3.

#### 4. Considerations in determining the investment arrangements

When deciding how to invest the Plan's assets, the Trustee considers 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 Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee has considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The central estimates of the expected returns from the main asset classes, as at 31 March 2021, are set out below. Returns are quoted in excess of the return on long-dated government bonds:

|                          |         |
|--------------------------|---------|
| UK equities              | 4.8% pa |
| Overseas equities        | 4.8% pa |
| Emerging market equities | 5.8% pa |
| Corporate bonds          | 0.6% pa |
| Diversified growth       | 2.9% pa |
| Infrastructure           | 4.2% pa |
| LDI & Sterling Liquidity | 0.0% pa |

In setting the investment strategy the Trustee also from time to time takes into account:

- the best interests of members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- our investment objectives, including the target return required to meet these;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and
- the need for appropriate diversification between different asset classes.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the Plan benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value;

- 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;
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term.

## 5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its 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, their objectives, investment guidelines, and custody arrangements are set out in Appendix 3.

The Trustee has signed agreements with the investment managers, setting out in detail the terms on which the portfolios are managed. The investment managers' primary role is the day-to-day investment management of the Plan's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee has limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices within the parameters of the fund they are managing.

The Trustee's 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 Trustee's responsibility to ensure that the managers' investment approaches are consistent with its 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 Trustee expects 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 (or where this is not appropriate to explain why). It assesses this when selecting and monitoring managers.

The Trustee evaluates 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.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan 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.

Page 5 of 16

The Trustee recognises 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 Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

## **6. Realisation of investments**

The investment managers have discretion over the timing of realisation of investments of the Plan and in considerations relating to the liquidity of investments. When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements.

## **7. Financially material and non-financial matters**

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustee influences the Plan's approach to ESG and other financially material factors through its investment strategy and manager selection decisions. The Trustee expects all of its investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. The Trustee seeks to appoint managers that have the skills and processes to do this, and periodically reviews how the managers are taking account of these issues in practice.

All of the Plan's assets are invested in pooled funds. The Trustee has limited influence over the managers' investment practices where assets are held in pooled funds, but encourages the managers to improve their ESG practices within the parameters of their funds.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

## **8. Stewardship**

The Trustee recognises its responsibilities as owners of capital, and believes 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 Trustee has delegated to its 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, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity, but it does engage with current and prospective investment managers on matters including ESG and stewardship. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to

the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee expects the managers to communicate their policies on stewardship from time to time, and provide reporting on the results of their engagement and voting activities regularly and at least once a year.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time the Trustee may review how these are implemented in practice.

However, where the Trustee holds assets in pooled funds, the Trustee has limited influence over managers' stewardship practices, but it encourages its managers to improve their practices where appropriate.

**For on behalf of Open Trustees Limited**

**Signed:** Website version - signature removed

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

### **1. Trustee**

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employers;
- setting the investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- monitoring, reviewing and replacing the investment managers, custodians, investment adviser, actuary and other service providers;
- monitoring the exercise of the investment powers delegated to the investment managers and monitoring compliance with Section 36 of the Act (as amended);
- communicating with members as appropriate on investment matters, such as the Trustee's 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 employers when reviewing the SIP.

### **2. Investment managers**

In broad terms, the investment managers are responsible for:

- managing the relevant portfolio of assets according to the stated objectives, and within the guidelines and restrictions set out in the investment manager agreements and/or other relevant governing documentation, as agreed with the Trustee;
- 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 Trustee with regular information concerning the management and performance of the relevant portfolio; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the Plan's assets (whether there is a direct relationship between the custodians and the Trustee or not) are responsible for safe keeping of the asset and facilitating all investment transactions.

### 3. Investment adviser and actuary

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

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

### 4. Fee structures

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

The Trustee has agreed Terms of Business with the Plan's actuarial and investment advisers, under which charges are calculated on both a fixed and "time-cost" basis.

The investment managers 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 Trustee 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 Trustee's view as to the most appropriate arrangements for the Plan. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

### 5. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustee will also carry out periodically an assessment of its 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*

Risk capacity is the maximum level of risk that the Trustee considers to be appropriate to take in the investment strategy. Risk appetite is how much risk the Trustee believes is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, the Trustee considers:

- the strength of the employer covenant and how this may change over time;
- the agreed journey plan and employer contributions;
- the Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk), now and as the strategy evolves.

Following implementation of the Plan's current investment strategy, as at 30 September 2021, the Plan's 1 year 95% Value at Risk was estimated to be around £7.5m. This means that there is estimated to be a 1 in 20 chance that the Plan's funding position will worsen by £7.5m or more, compared to the expected position, over a one year period. When deciding on the current investment strategy, we believed this level of risk to be appropriate given the Plan's objectives.

The Trustee considers that there are a number of different types of investment risk that are important for the Plan. These include, but are not limited to the following.

### **1. Risk of inadequate returns**

A key objective of the Trustee is that, over the long-term, the Plan should have adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan'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 Trustee on a regular basis.

### **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 Plan's assets. The Trustee believes that the Plan's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Plan's investment arrangements.

### 3. Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing the investment managers, the Trustee undertook appropriate investment manager selection exercises. The Trustee monitors the investment managers on a regular basis.

### 4. Liquidity/marketability risk

This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Plan's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Plan's investments.

### 5. Equity risk

The Trustee believes that equity risk is a rewarded investment risk, over the long term. The Trustee considers exposure to equity risk in the context of the Plan's overall investment strategy and believes that the level of exposure to this risk is appropriate.

### 6. 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 Plan is subject to credit risk since it holds bonds, and to a lesser extent the bonds held within its Diversified Growth Funds, via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

### 7. Currency risk

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets.

The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

### 8. Interest rate and inflation risk

The Plan's assets are directly subject to interest rate and inflation risk because some of the Plan's assets are held in bonds, and to a lesser extent the bonds held within its Diversified Growth Funds, via pooled funds. However, the interest rate and inflation risks to which the Plan's assets are exposed serves to hedge part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level.

### 9. Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time to time reviews how this risk is being managed in practice.

## 10. Other environmental, social and governance (ESG) risks

Appendix 2 (cont)

ESG factors are sources of risk to the Plan's investments, some of which could be financially significant, over both the short and longer term. These include risks relating to factors such as unsustainable or socially harmful business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately and from time to time reviews how these risks are being managed in practice.

## 11. Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, the LDI manager makes use of, within its fund, derivative and gilt repo contracts and this fund is used to match efficiently a portion of the Plan's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

## 12. Collateral adequacy risk

The LDI manager may call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee is not able to post additional cash to the LDI portfolio within the required timeframe when requested. A potential consequence of this risk is that the Plan's interest rate and inflation hedging could be reduced and the Plan's funding level could suffer subsequently as a result. In order to manage this risk, our objective is that the Plan has a sufficient allocation to cash and other highly liquid assets that could be used to meet LDI collateral calls.

## 13. Valuation risk

Some of the Plan's assets (such as listed equities) can be valued regularly based on observable market prices. For other assets (such as infrastructure), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – eg mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as infrastructure.

The Trustee considers exposure to valuation risk in the context of the Plan's overall investment strategy and believes that the level of exposure to this risk is appropriate.

## 14. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and **Appendix 2 (cont)**
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employers are unable to support the Plan as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

## Investment manager arrangements

Page 13 of 16 Details of the investment managers, their objectives, investment guidelines and custody arrangements are set out below.

### 1. Developed equities and bonds – Legal & General

The Trustee has selected Legal & General Assurance (Pension Management) Limited (“LGAPM”) as the provider of its bond and developed markets equity investments. LGAPM has delegated its investment responsibilities to an investment manager, Legal & General Investment Management (“LGIM”). LGIM’s objective is to maintain the Plan’s asset distribution close to Benchmark, within the ranges detailed in the below table. LGIM is also required to track, gross of fees, on an annual basis, the total return on the relevant Benchmark index, within specified tolerances. LGIM’s arrangements are summarised as follows:

| Asset class                  | Benchmark index                | Objective                                                                           |
|------------------------------|--------------------------------|-------------------------------------------------------------------------------------|
| UK equities                  | FTSE All Share                 | Track its benchmark index to within +/-0.25% p.a. for 2 years out of 3              |
| North American equities      | FTSE World North America       | Track its benchmark index* to within +/-0.5% p.a. for 2 years out of 3              |
| European equities            | FTSE Developed Europe (ex UK)  | Track its benchmark index* to within +/-0.5% p.a. for 2 years out of 3              |
| Japanese equities            | FTSE Japan                     | Track its benchmark index* to within +/-0.5% p.a. for 2 years out of 3              |
| Pacific basin equities       | FTSE Asia Pacific (ex Japan)   | Track its benchmark index* to within +/-0.75% p.a. for 2 years out of 3             |
| UK corporate bonds           | Markit iBoxx Sterling non-gilt | Exceed the benchmark index by 0.75% p.a. (before fees) over a 3 year rolling period |
| Liability driven investments | n/a                            | Reduce DB pension scheme risk exposure to                                           |

\*less withholding tax if applicable

| Asset class | Benchmark index | Objective |
|-------------|-----------------|-----------|
|-------------|-----------------|-----------|

|           |                                  |                                                                                                                    |
|-----------|----------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Liquidity | Sterling Overnight Index Average | changes in interest rate and inflation rates.<br>To provide capital stability and a return in line with benchmark. |
|-----------|----------------------------------|--------------------------------------------------------------------------------------------------------------------|

All of the LGIM funds are priced and traded weekly. The funds are open ended. The funds are not listed on any exchange. The custodian for the UK assets is HSBC Bank Plc London. The custodian for the overseas assets is Citibank N.A London.

## 2. Emerging market equities – Morgan Stanley

The Trustee has selected Morgan Stanley Investment Management (“MSIM”) as the manager of its emerging markets equity mandate.

| Asset class              | Benchmark index       | Objective                                                                          |
|--------------------------|-----------------------|------------------------------------------------------------------------------------|
| Emerging market equities | MSCI Emerging Markets | To target 2.5% - 3% outperformance of the index over a rolling 3 to 5 year period. |
| <b>Total</b>             |                       |                                                                                    |

The fund is daily priced and traded with the exception of Luxembourg bank holidays. The fund is open ended and is not listed on any exchange. Morgan Stanley has appointed J.P. Morgan Bank Luxembourg S.A. as the custodian for the fund.

### 3. Diversified growth

Page 15 of 16

The Trustee has selected Invesco Asset Management Limited (“Invesco”) and Ruffer LLP (“Ruffer”) as the managers for the Diversified Growth Fund portfolio.

| Fund name                            | Benchmark allocation (%) | Control range (%) | Benchmark index  | Objective                                                                                                                                                                                                                                                                     |
|--------------------------------------|--------------------------|-------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ruffer CF Absolute Return Fund       | 33.3                     | n/a               | BoE deposit rate | To preserve the Client’s capital over rolling twelve month periods, and secondly to grow the Portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing the cash value of the Portfolio in a reputable United Kingdom bank. |
| Invesco Global Targeted Returns Fund | 66.7                     | n/a               | UK 3 month LIBOR | To target a gross return of 5% pa above UK 3 month LIBOR (or an equivalent reference rate) over a rolling 3 year period and aims to achieve this with less than half the volatility of global equities over the same 3 year period.                                           |
| <b>Total</b>                         | <b>100.0</b>             |                   |                  |                                                                                                                                                                                                                                                                               |

The Ruffer fund is daily priced and traded with the exception of UK bank holidays. The fund is open ended and is not listed on any exchange. In addition to acting as the investment manager, Ruffer will act as the Plan’s custodian, and in turn delegate the custody functions to a Global Sub-Custodian, RBC Investor Services Trust.

The Invesco fund is daily priced and traded with the exception of UK bank holidays. The fund is open ended and is not listed on any exchange. Invesco has appointed Bank of New York Mellon as the custodian for the fund.

#### 4. Infrastructure

Page 16 of 16

The Trustee has selected JP Morgan Investment Management Inc (“JP Morgan”) as the manager of the infrastructure mandate.

| Asset class    | Benchmark index | Objective                                                     |
|----------------|-----------------|---------------------------------------------------------------|
| Infrastructure | n/a             | To target a net return of 8-12% pa, over five to seven years. |
| <b>Total</b>   |                 |                                                               |

The JP Morgan fund is valued quarterly on an unaudited basis and is valued annually on an audited basis. The fund is open ended and is not listed on any exchange. JP Morgan has appointed Citco Fund Services as the custodian for the fund.

#### 5. Rebalancing

New money / disinvestments to / from LGIM, Morgan Stanley, Ruffer, Invesco and JP Morgan are used by the Trustee to maintain the Plan’s actual asset allocation as close as possible to the Benchmark (as set out in Section 3, “Investment strategy”).

#### 6. Additional Voluntary Contributions

The Trustee has selected Legal & General Assurance Society as the Plan’s money purchase AVC provider.