Firth Rixson Retirement Benefit Plan

Statement of Investment Principles – September 2019 (replaces February 2019)

1. Introduction

The Trustee of the Firth Rixson Retirement Benefit Plan ("the Plan") has drawn up this Statement of Investment Principles ("Statement") to comply with the requirements of:

- The Pensions Act 1995, as amended;
- The Occupational Pension Schemes (Investment) Regulations 2005, ; and
- Subsequent legislation and associated requirements.

The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments. The Summary of Investment Arrangements ("SofIA"), a separate document detailing the specifics of the Plan's investment arrangements, is available upon request.

As required under the Pensions Act 1995, the Trustee has consulted a suitably qualified person in having obtained written advice from Mercer Ltd. The Trustee believes Mercer Ltd meets the requirements of Section (35)5 of the Pensions Act 1995 (as amended). In preparing this Statement, the Trustee has consulted Firth Rixson Limited, the Principal Sponsoring Employer, to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan's investment arrangements.

The Plan consists of two parts, a Defined Benefit ("DB") section and a Defined Contribution ("DC") section. Sections 1 to 6, 17 and 18 relate to both sections of the Plan. Sections 7 to 16 relate to the DB and DC sections individually.

2. Plan Governance

The Trustee is accountable for the investment of the Plan's assets. It has appointed a firm of professional consultants (the "Investment Consultant") to provide relevant advice. It also takes advice as appropriate from the Plan Actuary and other professional advisers.

The Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Plan's strategic benchmark and investment manager structure. These decisions are made after considering recommendations from the Plan's advisers.

The Investment Consultant's role is to:

- Provide recommendations on and propose a process for implementing the Plan's investment strategy;
- Monitor the incumbent Investment Managers and recommend changes as appropriate;
- Assist in the selection of new Investment Managers;

- Co-ordinate the implementation of investment management arrangements;
- Advise as to the implications of significant legislative, financial and economic changes;
- Review the Statement and recommend changes as required;
- Provide such advice as requested by the Trustee.

In relation to the DB section of the Plan, the Plan Actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Plan.

This Statement is designed to fulfil the key objectives of the Myners' Code of Best Practice (applicable to DB and DC Plans), first published in 2001 and revised in 2008, and the DC Code of Practice (applicable to DC Plans only).

3. Portfolio Construction

The Trustee has adopted the following control framework in structuring the Plan's investments:

- There is a role for active management.
- To help diversify manager specific risk, more than one manager has been appointed.
- At the total DB level and within individual manager appointments (both DB and DC) investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer. This restriction does not apply to investment in UK Government debt.
- Investment in derivatives is permitted either directly or within pooled funds as long as they contribute to a reduction in risk or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk).
- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustee will ensure that the assets of the Plan are predominantly invested on regulated markets.
- No investment is permitted by an appointed investment manager in the securities issued by the relevant manager's company or any affiliated companies (other than any such securities held within a pooled fund in which the Trustee invests).
- Direct borrowing (such as the use of an overdraft facility) is not permitted except to cover short term liquidity requirements. The use of borrowing within pooled funds is reviewed by the Trustees as part of the onboarding process for new investments.

4. Day–to-Day Management of the Assets

The Trustee delegates the day-to-day management of the investment arrangements, including selection, retention and realisation, to a number of investment managers across a range of mandates. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently. The current investment managers are listed in the SofIA.

The Investment Managers have full discretion to buy, sell and retain individual investments on behalf of the Plan, subject to agreed guidelines. They have been selected for their expertise in different specialisations and each manages investments for the Plan to a specific mandate, which includes performance objectives, risk parameters and timescales over which their performance will be measured. The SofIA gives details of each Investment Manager's mandate.

The Trustee assesses the continuing suitability of the Plan's Investment Managers and meets each Investment Manager in an agreed cycle to discuss their performance, activity and wider issues. The Investment Consultant provides help in monitoring the Investment Managers, both in the form of written reports and attendance at meetings.

5. ESG, Stewardship, and Climate Change

The Trustee believes that financially material factors, including environmental, social and corporate governance ("ESG") factors, may have a material impact on investment risk and return outcomes and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that may apply over the Plan's investment horizon and increasingly require explicit considerations.

Within the DB Section, the strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors. The same economic and financial assumptions (reflecting market conditions at the point of review) have also been considered when forming the investment strategy of the DC Section of the Scheme.

The Plan's assets are invested predominantly in pooled vehicles and the day-to-day management of the Plan's assets has been delegated to investment managers, including the selection, retention and realisation of investments within their mandates. In doing so these investment managers are expected and encouraged to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees engage with existing investment managers on these issues through (amongst other things) meetings and periodic correspondence. Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.

Notwithstanding the above, the Trustee recognises that in passive mandates the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustee accepts that the primary role of its passive manager(s) is to deliver returns in line with the market and believes this approach is in line with the basis on which the current strategy has been set for the DB and DC Sections of the Plan.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Monitoring of the existing investment managers is undertaken on a regular basis and this makes use of the Investment Consultant's ESG ratings. This is documented at least annually and the Trustee is informed of any changes to ESG ratings usually on a quarterly basis. The Trustee will challenge managers who it believes are taking insufficient account of ESG considerations in implementing their mandates.

The Trustee will not consider the ESG policies of Additional Voluntary Contributions provider(s) and associated investment funds as these are a small proportion of total assets.

6. Non-Financial Matters

"Non-financial matters" (where "non-financial matters" includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee would review this policy in response to significant member demand.

Defined Benefit Section

7. Process for Choosing Investments

The Trustee has considered its objectives for investing the Plan's DB assets. It has considered investment and funding objectives together and in light of the Employer covenant to ensure that the two are compatible and supportable.

It has then constructed a portfolio of investments consistent with these objectives and which it hopes will deliver the maximum level of return (net of all costs) for the level of risk taken on (taking into account limitations on the overall complexity of arrangements it is prepared to manage).

In doing so the Trustee takes into account what it believes to be financially material considerations, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Plan over the Trustee's investment time horizon. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Plan the Trustee has obtained and considered the written advice of Mercer whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

8. Investment Objectives

The objectives set out here, and the risks and other factors referenced, are those that the Trustee determines to be financially material considerations in relation to the Plan.

The Trustee's overriding objective is to invest the Plan's assets in the best interests of the members and beneficiaries, and, in the case of a potential conflict of interest with the Employer, in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed the following objectives to provide guidance in its strategic management of the assets and control of the various risks to which the Plan is exposed:

- To restore and then maintain the Plan's funding position, on an ongoing (i.e. Technical Provisions) basis, to at least 100%, taking account of short term fluctuations.
- To ensure that it can meet its obligation to the beneficiaries of the Plan.

Given the nature of the liabilities, the investment time horizon of the Plan is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Plan's investment horizon significantly.

9. Risk Management and Measurement

There are various risks to which any pension scheme is exposed, which the Trustee believes to be financially material to the DB Section over its investment horizon. The Trustee's policy on risk management is set out below:

Key strategic investment risks that impact on Plan funding within the DB Section are as follows:

- Market Risk (including equities, property and exposure to other growth asset markets) – the risk that asset valuations fluctuate in an uncorrelated way with the value of the liabilities;
- Interest Rate Risk – the risk that changes in the value of the assets do not move in line with changes in the value placed on the Plan's liabilities in response to changes in interest rates;
- Inflation Risk – similar to interest rate risk but concerning inflation;
- Credit Risk – the risk that one party to a financial instrument will cause a financial loss to the Plan by failing to discharge an obligation.
- Currency Risk – the risk that foreign currency exposure causes asset valuations to fluctuate in an uncorrelated way with the value of the liabilities which are denominated in Sterling.
- Liquidity Risk – the risk that the Plan doesn't have sufficient liquid assets to meet payments.

Considerations specific to Environmental, Social and Governance issues are addressed in Section 5.

Risk is measured using asset-liability modelling conducted by Mercer which measures the contribution of different risk factors to overall Value at Risk ("VaR"). These risks are managed as follows:

- Market risk is managed via the strategic allocation to the various asset classes and by holding diversified portfolios by individual holdings, sectors and market regions.
- The Trustee has also developed a Liability Driven Investment ("LDI") framework which seeks to reduce the mismatch between the sensitivity of the assets and the liabilities to changes in interest rates and inflation. The long-term objective of the LDI portfolio is to target a hedge ratio of 70% for both interest rates and inflation relative to Technical Provisions liabilities, based on point in time modelling analysis that is refreshed periodically. The Trustee recognises that the target LDI portfolio will not produce a perfect match for the liability exposures it is aiming to hedge. Furthermore, the Trustee recognises that there are different measures for calculating the liabilities that may not be closely matched by the LDI assets held.
- The Plan's LDI portfolio is invested on a pooled fund basis. However, the underlying investments include derivative exposures that introduce other specific risks that are

additional to the risks presented from investing in the equivalent physical asset. These include:

- basis risk (the risk that the derivative invested in does not perfectly match the physical asset that the derivative has replaced);

- roll risk (the risk that the terms available when the derivative is taken out are not available when the contract expires and is replaced);

- recapitalisation risk (the risk that adverse price movements require payment of capital in order to maintain the position);

- collateral and counterparty risk (the risk that the party with whom the LDI manager has contracted defaults and that any collateral is insufficient to make good any resulting loss);

These risks are mitigated through the specific arrangements that are implemented so that the likelihood of the risks materialising is low and/or the impact of them is low.

- Credit risk is managed via the strategic allocation and investing in pooled fund(s) with diversified holdings of bonds that are predominantly of investment grade quality.

- Currency risk is managed through the total allocation to overseas markets and consideration of currency hedging.

- Regarding liquidity risk, the Trustee believes that the majority of the Plan's investments are realisable at short notice in most prevailing market conditions.

The Trustee recognises the following additional risks and takes the following steps to manage these risk:

- The Trustee recognises that whilst increasing risk increases potential returns over the longer term, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more short-term volatility in the Plan's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) has adopted an asset allocation policy that combines investment in both higher and lower risk asset classes.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. In addition, the Plan's investment managers are expected to hold diversified portfolios of assets to control the risk of over-exposure to individual stocks.

- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The managers are prevented from investing in asset classes outside their mandates without the Trustee's prior consent.

- Arrangements are in place to monitor the Plan's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. The Trustee receives regular reports from all the investment managers and the Investment Consultant.

- The safe custody of the Plan's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

- Across all of the Plan's investments, the Trustee is aware of the potential for regulatory and political risks. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.

The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Employer and its willingness to contribute to the Plan. Should there be a material change in the Plan's circumstances or financial strength of the Employer, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular, whether the current risk profile remains appropriate.

10. Investment Strategy

The Trustee has agreed, based on expert advice, to implement the following investment strategy comprising of 25.0% growth assets and 75.0% risk reducing assets split as follows. The Trustee considers this investment strategy to be consistent with the Trustee's funding and investment objectives:

Asset Class	**Target %**
Equities	15.0
Growth fixed income	10.0
Total growth	*25.0*
Corporate bonds	37.5
LDI inc. cash	37.5
Total risk reducing	*75.0*
Grand total	**100.0**

Further de-risking proposals will be considered in the future depending on the progress of the funding level and other Plan circumstances at the time.

Details of the Investment strategy are set out in the SofIA.

11. Expected Return

The Trustee expects to generate a return, over the long term, at least in line with that of the actuarial assumptions under which the Plan's funding target has been agreed. It is recognised that over the short term performance may deviate significantly from the long term target.

12. Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Plan's overall strategic allocation and consistent with the overall principles set out in this Statement.

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses. The Trustee decides (with the advice from their Investment Managers and/or Investment Consultant) on how investments should be realised for cash to meet Plan expenses.

Defined Contribution Section

13. Process for Choosing Investments

The Trustee has considered the characteristics of a range of members and their associated investment needs when choosing which types of investment to make available. The range of funds offered include those which offer the prospect of growth which exceeds the rate of inflation in the long term ("growth funds"), as well as funds that provide greater protection against changes in the cost of securing retirement benefits or volatile nominal market values ("defensive funds").

In doing so the Trustee takes into account what it believes to be financially material considerations, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Plan over the Trustee's investment time horizon. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Plan the Trustee has obtained and considered the written advice of Mercer whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

14. Investment Objectives

The Trustee recognises that members of the Plan have differing investment needs, that these may change during the course of their working lives and that they may have differing attitudes to risk. The Trustee believes that members should generally make their own investment decisions based on their individual circumstances. The Trustee regards their primary objective as making available a range of investment funds which enable members to tailor the strategy for their assets to their own needs.

The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee makes available a default investment option.

During 2017, the Trustee considered the Plan's DC investment arrangement and agreed to move the Plan's existing pension arrangement with Aviva to the Mercer Workplace Savings ("MWS") Platform. As part of that change, Mercer provided advice with regards to mapping the current fund line up to MWS Platform without members' consent. Any bulk transfers and fund mapping which were undertaken without member consent since 6 April 2015 created new default funds. Therefore, there is currently a number of default funds.

More details on the default funds can be found in the appendices.

15. Risk Management and Measurement

The Trustee has considered risk from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustee considers and how they are managed and measured:

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) of members' accounts decreases.	The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds). Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation

Risk	How it is managed	How it is measured
Pension Conversion Risk Members' investments do not match how they would like to use their pots in retirement.	The Trustee makes available three lifestyling strategies for DC members, each targeting either cash, drawdown or annuity. Lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These lifestyling strategies increase the proportion of assets that more closely match the chosen retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.	Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).
Market Risk The value of securities, including equities and interest bearing assets, can go down as well as up.	The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances. For the diversified growth funds which are targeting non-market benchmarks this is delegated to investment managers.	Monitors the performance of external investment funds on a quarterly basis.
Counterparty Risk A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	Delegated to external investment manager. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of external investment funds on a quarterly basis.

Risk	How it is managed	How it is measured
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies. Delegated to investment managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk A lack of robust internal proceses, people and systems.	Outsourced this to the Investment Consultant. Members are able to set their own investment allocations, in line with their risk tolerances.	Consider the ratings of investment strategies from the Investment Consultant and monitoring these on a quarterly basis.
Liquidity Risk Assets may not be readily marketable when required.	The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Aviva.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract.
Valuation Risk The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	Some diversified growth fund managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment manager. The majority of investment managers invest solely in liquid quoted assets.	The Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the Investment Consultant.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.	Delegated to external investment managers. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	The Trustee reviews its external investment managers' policies and actions in relation to this on an annual basis.

Risk	How it is managed	How it is measured
Manager Skill / Alpha Risk Returns from active investment management may not meet expectations, leading to lower than expected returns for members.	The Trustee makes available a number of actively managed funds to DC members where they deem appropriate; for example, diversified growth or property funds. The actively managed funds made available are highly rated by its Investment Consultant, based on forward-looking expectations of meeting objectives.	The Trustee considers the ratings of investment strategies from its Investment Consultant during the selection process. The Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.

The Plan's Defined Contribution section is monitored to ensure that the suitability of the Plan's options available to members is maintained. The Trustee receives regular reports from the platform provider and the Investment Consultant. These reports include an analysis of the overall level of risk and return, along with their component parts, to ensure the risks taken and returns achieved are consistent with those expected.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

The above items listed in Section 15 of this Statement are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

16. Investment Strategy

To meet the Investment Objectives and taking into account the risks identified above, the Trustee has made available a range of self-select funds for members to choose from or a choice of three lifestyle arrangements (members cannot choose both). More information on the funds and lifestyle arrangements is detailed in the SofIA.

The Trustee believes that the risks identified in Section 15 and the objectives in Section 14 are best met by offering members a range of investment vehicles, which are managed actively or passively, depending on asset class, from which to choose. This will allow members to combine investment funds in any proportion to determine the balance between different kinds of investments. This will also determine the expected return on members' assets and should be related to the member's own risk appetite and tolerances.

The Trustee considers the range of funds to be diversified across a reasonable number of underlying holders / issuers. These investment options are offered via the Mercer Workplace Savings ("MWS") Platform.

A proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of DC Plan members do not make an active investment decision and are invested in the default option.

DB and DC Considerations

17. Additional Assets

Under the terms of the Trust Deed the Trustee is responsible for the investment of Defined Contributions and Additional Voluntary Contributions paid by members. The Trustee reviews the investment performance of the funds available to members on a regular basis and takes advice as to the providers' continued suitability.

18. Compliance with and review of this Statement

The Trustee will monitor compliance with this Statement regularly, and in any event will review this Statement at least once every three years and without delay after any significant change in investment policy. The Statement will also be reviewed in response to any material changes to any aspects of the Plan and its liabilities, finances and attitude to risk of the Trustee and the Employer which it judges to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Employer.

Signed…………………………………… **Name…Steven Ross ………………**

For and on behalf of the Trustee of the Firth Rixson Retirement Benefit Plan

30 September 2019

Appendix A – Statement of Investment Principles - Default Option for the DC Section

A.1 For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** which includes lifestyling arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via cash at retirement. This strategy is known as the “Mercer Target Cash Path”.

A.2 Aims, Objectives and Policies

The aims of the default option, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the “growth” phase of the strategy whilst managing downside risk.

The default strategy’s growth phase structure invests in equities and other growth-seeking assets through diversified growth funds. These investments are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member’s pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.

- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as cash.

Three months prior to the member’s selected retirement date, 100% of the member’s assets will be invested in a cash fund reflecting the Trustee’s view that members will take their savings as cash at retirement.

A.3 Risk

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

Taking into account the demographics of the Plan's membership and the Trustee's view of how the membership will behave at retirement, the Trustee believes that the balance between asset classes within the growth phase of the default option outlined is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	During the growth phase of the default investment option the Trustee invests in a diversified range of assets which are likely to grow in real terms. The default investment options invests in a diversified range of assets which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The default investment option is a lifestyling strategy which targets 100% cash as a retirement destination. The Trustee believes that a strategy targeting cash is the most appropriate for their current membership.	Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation (the retirement destination). As part of the triennial default strategy review, the Trustee ensures the default destination remains appropriate.

Risk	How it is managed	How it is measured
Market Risk	The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	Monitors the performance of the default investment strategy on a quarterly basis. Considers the ongoing suitability of the risk being taken across age cohorts as part of the triennial review of the default strategy.
Counterparty Risk	In line with the main DC section. Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	Monitors the performance of the default investment option on a quarterly basis.
Currency Risk	Currency risk management is delegated to Mercer as the delegated investment manager. Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee and currency management within the funds is managed at the overall fund level to achieve a balanced profile.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	Outsourced to MWS with regards to Aviva as the corporate investment platform. Outsourced to the Delegated Investment Manager with regards to Mercer funds.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Valuation Risk	Some multi-asset managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment manager. The majority of underlying holdings within the default investment strategy are invested in liquid quoted assets.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section. The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	In line with the main DC Section.

The above items in Sections A.2 and A.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

A.4 Members Interests

The Trustee believes that assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

The Mercer Target Cash Path is designed to meet the above aims and objectives and is implemented using a range of pooled funds managed by the Trustee's chosen investment managers.

Taking into account the demographics of the Plan's membership and the Trustee's view of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

Appendix B – Statement of Investment Principles – Other Default Option in the DC Section – Mercer Growth

B.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

The first of these defaults is known as the "Mercer Growth" strategy, details of this default option are set out in this Appendix.

B.2 Aims, Objectives and Policies

The aims of the Mercer Growth strategy, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Mercer Growth strategy invests in equities and other growth-seeking assets through diversified growth funds. These investments are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion

B.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Growth strategy invests in a diversified range of securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Growth strategy is considered appropriate for members wishing to grow their savings, and the Trustee believes that it is appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Growth strategy is a diversified range of assets which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Growth strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Growth strategy on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections B.2 and B.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

B.4 Members Interests

The Mercer Growth strategy is designed to meet its objective as outlined in section B.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

Appendix C – Statement of Investment Principles – Other Default Options in the DC Section – Mercer Diversified Retirement

C.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

Another default available is known as the "Mercer Diversified Retirement" strategy, details of this default option are set out in this Appendix.

C.2 Aims, Objectives and Policies

The aims of the Mercer Diversified Retirement strategy, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve equity-like returns with reduced volatility.

The strategy mainly invests primarily in a global portfolio of equity securities issued by companies to seek similar returns to equity. By also investing in a number of other asset classes (e.g. property, gilt yields and cash), the strategy remains diversified and has reduced risk. Over the long term the fund is expected to delivery returns of approximately cash + 2.5% p.a.

C.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Diversified Retirement strategy invests in a diversified range of securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Diversified Retirement strategy is considered appropriate for members wishing to grow their savings, and the Trustee believes that it is appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Diversified Retirement strategy is a diversified range of assets which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Diversified Retirement strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Diversified Retirement strategy on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections C.2 and C.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

C.4 Members Interests

The Mercer Diversified Retirement strategy is designed to meet its objective as outlined in section C.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

Appendix D – Statement of Investment Principles – Other Default Options in the DC Section – Mercer Annuity Retirement

D.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

The third of these defaults is known as the "Mercer Annuity Retirement" fund, details of this default option are set out in this Appendix.

D.2 Aims, Objectives and Policies

The aims of the Mercer Annuity Retirement strategy, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

To generate returns in line with members planning to take their benefits as an annuity on retirement*The fund invests in the LGIM Pre-Retirement and Cash fund to produce some growth whilst managing risk.*

D.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Annuity Retirement strategy invests in a diversified range of securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Annuity Retirement strategy is a life styling strategy which targets 25% cash with the remaining benefits taken as an annuity at retirement.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Annuity Retirement strategy is a diversified range of assets which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Annuity Retirement strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Annuity Retirement strategy on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections D.2 and D.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

D.4 Members Interests

The Mercer Annuity Retirement strategy is designed to meet its objective as outlined in section D.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

Appendix E – Statement of Investment Principles – Other Default Options in the DC Section – LGIM Ethical UK Equity

E.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

The "LGIM Ethical UK Equity" fund is another default. Details of this default option are set out in this Appendix.

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E.2 Aims, Objectives and Policies

The aims of the LGIM Ethical UK Equity fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve growth in line with the FTSE4Good UK Equity Index (within 0.5% p.a.).

The fund invests in UK securities, which form part of FTSE4Good UK Equity Index. It aims to be fully invested at all times and might use stock index futures to efficiently manage the portfolio.

E.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The LGIM Ethical UK Equity fund strategy invests in a range of UK securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The LGIM Ethical UK Equity fund is considered appropriate for members wishing to grow their savings, and the Trustee believes that is it appropriate for members who are targeting growth in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The LGIM Ethical UK Equity fund is a portfolio invested in a range of UK securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the LGIM Ethical UK Equity fund on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the LGIM Ethical UK Equity fund on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections E.2 and E.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

E.4 Members Interests

The LGIM Ethical UK Equity fund is designed to meet its objective as outlined in section E.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

Appendix F – Statement of Investment Principles – Other Default Options in the DC Section – Mercer Active UK Property

F.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

Details of the Active UK Property default option is set out in this Appendix.

Over the course of 2019 the Trustee is working to remove this default by obtaining member consent as the Total Expense Ratio of this fund exceeds the charge cap as set out in the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

F.2 Aims, Objectives and Policies

The aims of the Mercer Active UK Property strategy, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve long-term capital growth.

The Active UK Property fund invests in a combination of UK commercial property.

F.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Active UK Property strategy invests in a diversified range of property securities which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Active UK Property strategy is considered appropriate for members wishing to grow their savings.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Active UK Property strategy is a diversified range of assets which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Active UK Property strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Active UK Property strategy on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee’s policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections F.2 and F.3 are in relation to what the Trustee considers ‘financially material considerations’. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they expect to retire.

F.4 Members Interests

The Mercer Active UK Property strategy is designed to meet its objective as outlined in section F.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan’s demographic profile, if sooner.

Appendix G – Statement of Investment Principles – Other Default Options in the DC Section – Mercer Passive Corporate Bond

G.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

The "Mercer Passive Corporate Bond" strategy is another default option, details of this are set out in this Appendix.

G.2 Aims, Objectives and Policies

The aims of the Mercer Passive UK Corporate Bonds, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To *achieve a return consistent with the Markit iBoxx Sterling Non-Gilts Index* .

The Fund invests in investment grade corporate bonds to achieve such a return.

G.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Passive UK Corporate Bonds strategy invests in corporate bonds which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Passive UK Corporate Bonds strategy is considered appropriate for members wishing to grow their savings.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Passive UK Corporate Bonds strategy invests in assets which are considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Passive UK Corporate Bonds strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Passive UK Corporate Bond strategy on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections G.2 and G.3 are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

G.4 Members Interests

The Mercer Passive UK Corporate Bonds strategy is designed to meet its objective as outlined in section G.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic profile, if sooner.

Appendix H – Statement of Investment Principles – Other Default Options in the DC Section – Mercer Cash

H.1 During 2017, the Plan made a number of changes to members' investment options, including mapping members' funds into new funds without members' consent. Where the underlying funds were changed and members mapped to a new fund, the Trustee has created a new default fund, as per the broader definition of a default. The new default funds are set out below:

- Mercer Growth
- Mercer Diversified Retirement
- Mercer Annuity Retirement
- LGIM Ethical UK Equity
- Mercer Active UK Property
- Mercer Passive Corporate Bond
- Mercer Cash

The last of these defaults is known as the "Mercer Cash" strategy, details of this default option are set out in this Appendix.

H.2 Aims, Objectives and Policies

The aims of the Mercer Cash strategy, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To achieve returns in line with the 7 Day Sterling LIBID.

The Cash strategy invests primarily in cash funds to perform as expected. By investing in cash, the fund manages its downside risk whilst still achieving some growth.

H.3 Risk

When designing the fund range offered to members, the Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable on member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The Mercer Cash strategy invests in securities which are considered likely to grow in line with inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The Mercer Cash strategy is considered appropriate for members wishing to grow their savings, and the Trustee believes that is it appropriate for members who are targeting low risk in their portfolio.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The Mercer Cash strategy is considered likely to increase in value over longer time horizons.	Monitors the performance of the Mercer Cash strategy on a quarterly basis.
Counterparty Risk	In line with the main DC section.	Monitors the performance of the Mercer Cash strategy on a quarterly basis.
Currency Risk	Currency risk management is delegated to the Mercer as the delegated investment manager.	Monitors the performance of funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	In line with the main DC Section.	Monitor developments at Aviva, taking advice from the Investment Consultant.
Liquidity Risk	In line with the main DC Section.	In line with the main DC Section.
Valuation Risk	In line with the main DC Section.	In line with the main DC Section.
Environmental, Social and Governance Risk	In line with the main DC Section. The Trustee's policy on ESG risks is set out in Section 5 of this Statement.	In line with the main DC Section.

Risk	How it is managed	How it is measured
Manager Skill / Alpha Risk	In line with the main DC Section.	In line with the main DC Section.

The above items in Sections H.2 and H.3 are in relation to what the Trustee considers ‘financially material considerations’. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they expect to retire.

H.4 Members Interests

The Mercer Cash strategy is designed to meet its objective as outlined in section H.2. In line with regulation requirements, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme’s demographic profile, if sooner.