Statement of Investment Principles

For the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (DB and DC Sections)

September 2024

Version 1.6 of combined SIP – September 2024
(updated from Version 1.5 of combined SIP dated January 2023)

Contents

01 Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004. The Scheme has two sections – the Defined Benefit ('DB') Section and the Defined Contribution ('DC') Section. This Statement covers both sections. XPS Investment Limited is the Scheme's Investment Adviser (termed 'Advisor').

Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances or attitude to risk of either the Trustees or Principal Employer or changes in the demographic profile of relevant members which they judge to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by subsequent legislation)

AVCs - Additional Voluntary Contributions

Insurance Providers - Just Retirement Limited ('Just') and Rothesay Life Limited ('Rothesay')

Investment Manager – An organisation appointed by the Trustees to manage investments on behalf of the Scheme

Investment Platform Provider - A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers. The DC Section uses a Platform Provider

Principal Employer – Melton Mowbray Building Society

Scheme – The Melton Mowbray Building Society Staff Pension and Life Assurance Scheme

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles

Trust Deed and Rules - the Scheme's Trust Deed and Rules currently in force

Trustees – the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme

02 Strategic investment policy and objectives

Choosing investments

For the DB Section, the Trustees have purchased bulk annuity policies through which benefits due under the Scheme are secured. The selection of the policies was made having taken written investment advice. In addition to the insurance policies, the Trustees invest the DB Section's surplus assets with a professional Investment Manager, M&G Investments.

For the DC Section, individual funds are accessed through an investment platform and decisions about the particular pooled investment vehicles offered to members are made by the Trustees.

The Trustees' policy is to review regularly the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Investment objectives: DB Section

The primary investment objective of the Trustees is to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

In December 2022, the Trustees purchased an insurance policy covering the remaining DB Section member liabilities. This transaction materially changed the Trustees' strategic investment policy as the residual DB Section assets do not have a direct purpose to fund DB Section member liabilities.

The Trustees may use the residual DB Section assets to fund DC Section costs as well as expense payments in relation to the eventual full wind-up of the Scheme (i.e. a buy-out).

The investment policy for the residual DB Section assets is set out in this Statement.

Investment objectives: DC Section

The Trustees' objective is to make available to members of the DC Section of the Scheme an appropriate range of investment options which will enable members to accumulate assets to provide suitable benefits at retirement.

The Trustees recognise that the available investment options directly impact the Scheme members and their expectation for their retirement provision.

Expected returns

As the DB Section liabilities have been fully insured there is no set required return for the residual assets. Following advice from the Trustees' investment consultant, the Trustees have agreed a target asset allocation (as set out in Appendix I) that aims to deliver a small return premium in excess of the return on cash whilst retaining a high level of liquidity and low probability of significant loss of capital.

For the DC Section, the Trustees anticipate that the investment options and the associated future absolute investment returns will allow members to maintain or increase the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

The Trustees expect the long-term return on investment options that invest predominantly in equities to exceed price inflation. The long term returns on bond and cash options are expected to be lower than returns on predominantly equity options. Cash funds provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.

Strategic investment policy and objectives (cont.)

Investment Policy – DB Section

Following advice from the Investment Consultant, the Trustees have developed and implemented the following the investment policies. These policies will be periodically reviewed and amended if necessary.

Policy for minimising the risk that the pension fund may cause volatility in the company accounts

As the DB Section liabilities have been fully insured this risk has been fully mitigated.

Policy for maintaining flexibility within the Scheme's investment arrangements

The residual DB Section assets are invested in daily trading pooled investment vehicles that are liquid and as such disinvestment could be achieved quickly and cost effectively should any short-term cashflow requirements arise.

Policy for maximising investment return

The Trustees believe that the arrangements detailed in Appendix I ensure that their portfolio will maximise the investment returns achieved by the Scheme's assets, subject to the other investment objectives being fulfilled.

Policy on poor decision making and poor advice

The Trustees take advice on all investment decisions and regularly review the quality of advice received from the Investment Consultant.

Policy on setting asset allocation

Following advice from the Investment Consultant the Trustees have agreed a target asset allocation for the DB Section residual assets. The Trustees will periodically review this target allocation to ensure it is aligned with the Trustees' objectives.

Policy on active and passive management

The Trustees continue to consider whether passive management (in which case the fund manager's performance target will be to match the benchmark return) or active management (in which case the fund manager's performance target will be greater than the benchmark return) is appropriate for each asset class separately. The Trustees decisions are based on the following matters:

- The degree to which the Trustees investments should be allowed to differ from their strategic benchmark given the objectives set out in the sections above.
- The opportunities within each asset class to generate returns in excess of the benchmark return.
- The ability of active fund managers to generate returns above the benchmark.
- The difference in cost between active and passive management.

Policy on stock selection

The Trustees delegate all stock selection decisions to their appointed fund managers and monitor the fund managers in conjunction with their advisors.

The investment policy the Trustees have adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix III.

Strategic investment policy and objectives (cont.)

Investment Policy – DC Section

The Trustees' policy to achieve these objectives is to provide a range of funds which offer a suitable mixture of asset classes. It recognises that the returns on return-seeking assets, while expected to be greater over the long-term than those on other assets, are likely to be more volatile. The range of funds utilised to meet the Defined Contribution Section's objectives are included in Appendix II.

The individual funds available and their characteristics are given in Appendix IV.

Illiquid Asset Policy - DC Section

Illiquid assets are those that cannot be easily or quickly exchanged for cash.

The Trustees' policy is to consider the benefits of all available asset classes when constructing the investment strategy of the default arrangement. This is to seek to improve member outcomes through improved risk-adjusted returns. Their policy is also that, at present, the default arrangement should have no allocation to illiquid assets. This is due to prior decisions on appropriate levels of charges for members, the need to better understand the risk and reward profile of illiquid assets, and the implementation costs of introducing the asset class onto the investment platform used by the Trustees.

The Trustees will monitor the opportunities presented by illiquid assets, in conjunction with training and research from their investment adviser.

Range of assets

In the DB Section, the majority of the Scheme's assets are insurance policies. The Trustees have no direct influence on the range of assets which support the payments due under the policies. The Insurance Providers will invest in an appropriate range of assets in line with the risk profile of their annuity business and the regulatory and capital regime they are required to comply with. Although there is a concentration of assets in the insurance policies, the Trustees deem this concentration appropriate as it closely matches the objective of the Scheme.

The Trustees consider the arrangements with the Insurance Providers to be aligned with the Scheme's overall strategic objectives. The Insurance Providers are incentivised to perform in line with expectations for their specific mandate to enable the Insurance Providers to meet all of the benefits insured and comply with regulatory and capital requirements

For the DC Section, the amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustees will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives, as set out in Appendix II and IV.

Alignment of Incentives

Based on the structure set out in Appendix I, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them by the documentation governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria set out in Section 6.

The Trustees encourage the Investment Managers for both the DC Section assets and the Investment Manager for the residual DB Section to make decisions in the long-term interests of the Scheme. The Trustees expect the Investment Managers to engage with the management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns and on the importance placed by the Trustees on investing according to the principles set out within the mandate guidelines. As covered in more detail in Section 3, the Trustees also require the Investment Managers to take Environmental, Social and Governance (ESG) factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

03 Responsible investment

The Trustees' Policy is to take into account factors that are considered to be financially material. ESG considerations (broad corporate governance, effective stewardship and more specific considerations such as climate change) are considered to be financially material by the Trustees. The Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on any investments will be taken into account by the relevant fund managers.

The Trustees take the view that their primary responsibility is to act in the best financial interest of the members of the Scheme. Where ESG factors are considered to be financially material, the Trustees will consider these factors over an appropriate time horizon.

As the Scheme invests in pooled funds and insurance policies, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of any rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will, through the Scheme's investment consultant, engage with their Investment Managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustee may periodically meet with their investment managers to discuss engagement which has taken place. The Trustee will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of their managers. The Trustee will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. Following the purchase of an insurance policy covering the remaining DB Section liabilities this list has been reviewed to remove previously stated risks associated with funding the liabilities.

The Trustees measure and manage these risks as follows:

Market risk – For the DC Section, the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity orientated funds.

Liquidity risk - The risk that the Trustees cannot exit a particular investment is addressed by investing the surplus DB Section assets in liquid markets through daily dealing pooled funds.

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see section 2).

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is delegated to the Investment Managers.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

ESG risk – The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in section 3 of this Statement.

Sequencing risk – For the DC Section, the risk that numerous material transactions at disadvantageous times, when markets are depressed for example, can have a detrimental impact on the capital value of a member's holding. This is addressed in the *Main Default Arrangement* by gradual lifestyling changes throughout a member journey and offering member flexibilities post-retirement.

Currency risk - The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

05 Realisation of assets and investment restrictions

Realisation of investments

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

The Trustees have considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

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

Investment restrictions

The Trustees have established the following investment restrictions:

> The Trustees or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;

> Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;

> Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustees may impose additional restrictions and any such restrictions are specified in Appendix II.

06 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA).

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix II and IV.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees receive, and consider, annual performance monitoring reports from the Investment Consultant which reviews performance over the one and three year periods. In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees meetings as requested.

The Investment Consultant has also carried out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- Parent - Ownership of the business;
- People - Leadership/team managing the strategy and client service;
- Product - Key features of the investment and the role it performs in a portfolio;
- Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Positioning - Current and historical asset allocation of the fund;
- Performance - Past performance and track record;
- Pricing - The underlying cost structure of the strategy;
- ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

Investment Manager Arrangements and fee structure continued

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

> The Investment Manager fails to meet the performance objectives set out in Appendix II/IV;
> The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future;
> The Investment Manager fails to give effect to the Principles within this Statement.

Investment Platform Provider fee structure

The Investment Platform Provider is remunerated by receiving a percentage of the Scheme's assets under management. Details of the fee arrangements in place for each fund are set out in Appendix II and IV.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management and, in some cases, through the application of a flat fee as a percentage of assets under management. Details of the fee arrangements are set out in Appendix II and IV. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

Insurance Provider's fee structure

The Insurance Providers' fees are met through a combination of some or all of the following:

> A margin added to the cost of securing the benefits which reflects the charges paid to the Insurance Providers.
> Any excess of assets over Scheme benefits paid out, throughout the life of the policy.

Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence. The Trustees do not set an explicit limit on turnover, but would expect the investment managers to justify any material increase in turnover beyond normal levels.

For the insurance policies, the portfolio turnover on the underlying assets and costs is a matter for the Insurance Provider.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees in undertaking their responsibilities.

07 Additional Voluntary Contribution arrangements

Provision of AVCs

The Scheme had historically provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustees' objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with their reasonable expectations.

The investment funds are provided by Clerical Medical and Aviva for DB members. DC members may choose the contribution rate that is paid into their account.

The Trustees selected these vehicles as they were believed to meet the Trustees' objective of providing investment options that enabled AVC members to generate suitable long-term returns, consistent with their reasonable expectations.

Review process

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

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

08 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustee of a pension scheme, it must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act.

Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

The Trustees will review the implementation of the principles set out in this Statement on an annual basis.

Signatures

On behalf of XPS Investment Limited:

Alasdair G K Gill

Partner - Head of Investment, Scotland

Date: 13 September 2024

On behalf of the Trustees:

Andy Lumby
Trustee

Date: 28 November 2024

Appendix I
DB Section Investment Strategy & Structure

Overall strategy - residual DB assets

The Trustees have adopted a strategy where assets are invested in liquid assets that, in aggregate, aim to provide a small; return premium in excess of the return on cash whilst having a low probability of significant capital loss.

The Trustees' target asset allocation agreed in December 2022 is as follows:

Asset Class	Target Asset Allocation (%)
Multi-Asset Credit	**50**
M&G Total Return Credit Investment Fund	*50*
Cash	**50**
Yorkshire Bank	
Barclays Bank	
M&G Cash Fund	
Total	**100**

Rebalancing and cashflow

The Trustees will review the asset allocation on a periodic basis using asset valuations provided by the investment managers (along with the balance held in the Trustee bank accounts) to ensure that the Scheme's assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

While no formal control ranges have been set, the Trustees may decide from time to time whether to switch assets back in line with the Target Asset Allocation following consideration of advice.

The Trustees will receive advice on any significant investments or disinvestments.

Appendix II
DC Section Investment Strategy & Structure

Overall strategy

The Trustees have decided to offer a range of appropriate investment options to members to enable them to choose investments appropriate to their individual circumstances, whilst not offering too many funds which may deter some members from making a choice.

The Scheme has three default arrangements in place as follows:

1. The 'Main Default Arrangement' – this default arrangement is offered to members who do not wish to make their own investment choices.
2. The 'Additional Default Arrangement – Property Fund' – this default arrangement was created in April 2020 to facilitate the investment of contributions for members who had made the self-select decision to invest in the RLP Property Fund. The RLP Property Fund was suspended on 30 March 2020 and the contributions for members who had self-selected that fund were redirected into the *Additional Default Arrangement – Property Fund*.
3. The 'Additional Default Arrangement – Emerging EMEA Fund' – this default arrangement was created in April 2022 to facilitate the investment of contributions for members who had made the self-select decision to invest in the RLP/Fidelity Emerging Europe Middle East and Africa Fund. The Fund was suspended on 22 March 2022 and the contributions for members who had self-selected that fund were redirected into the *Additional Default Arrangement – Emerging EMEA Fund*.

In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the *Main Default Arrangement* to be used where members do not make their own investment choice.

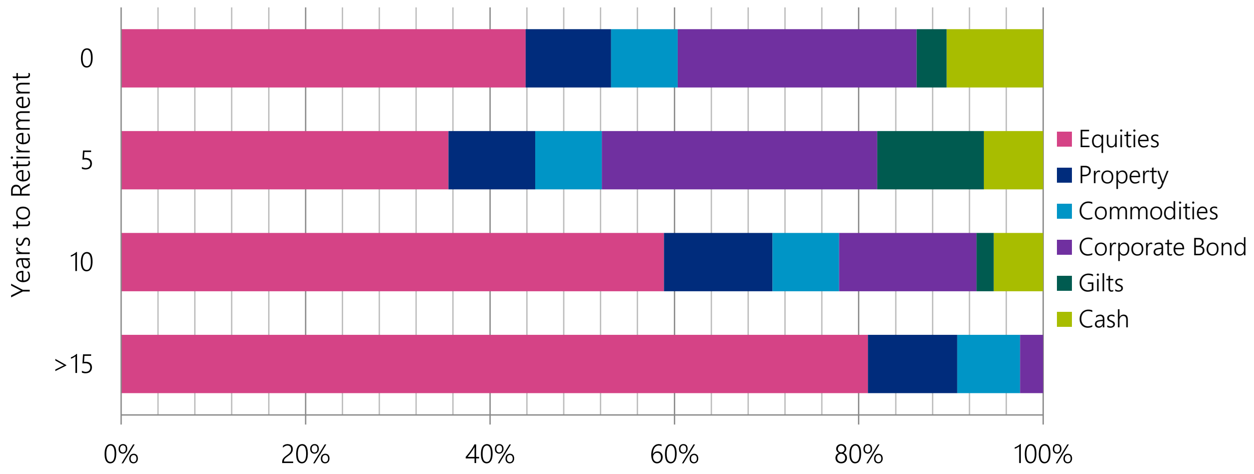
The range of investment options is as follows:

Main Default Arrangement

The aim of the *Main Default Arrangement* is to maximise the value of members' retirement savings while managing the risks including volatility over the member's investment timeline, with a particular focus on the period leading up to retirement age.

The Trustees have decided to adopt the Moderately Adventurous Tracker Lifestyle Strategy (Drawdown). The Trustees have decided to adopt the Tracker option of this lifestyle strategy which uses the passive equity option, the RLP/BlackRock Aquila Global Blend Fund. This option was selected for the *Main Default Arrangement* as it was considered by the Trustees to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meeting the Trustees' view of the needs and circumstances of the majority of the membership. This investment option invests in Royal London Governed Portfolios which are Royal London Multi-Asset Funds. Up to 15 Years from retirement, the fund invests in the Governed Portfolio 7. The strategy then gradually switches to Governed Portfolio 5 between 15 and 10 Years from retirement and then gradually switches to being fully invested in the Governed Portfolio 6 at 5 years from retirement. At retirement, members are invested in the Governed Retirement Income Portfolio 4. This option will target income drawdown at retirement[1]. Further information on the underlying investments in these is shown at the link at the foot of the page, but the strategy is summarised below:

[1] https://www.royallondon.com/strategyfactsheets/strategyfactsheet.asp?InvestmentType=F&strategyid=404686



The *Main Default Arrangement* is operated in accordance with the policies described in this Statement and is intended to ensure investment in the best interests of members and beneficiaries as further described in this Statement.

Additional Default Arrangement – Property Fund

Due to the extreme market volatility caused by the COVID-19 virus outbreak, on 30 March 2020 all trading in the RLP Property Fund was suspended. Following this, the future contributions of members who had chosen to invest in the RLP Property Fund on a self-select basis were redirected into the RLP Deposit Fund. By re-directing members' contributions, the Trustees created the Additional Default Arrangement, which invested solely in the RLP Deposit Fund.

With effect from 29 September 2020 the RLP Property Fund lifted the trading suspension. Following this, the future contributions of members who had chosen to invest in the RLP Property Fund on a self-select basis were redirected back into the RLP Property Fund, in line with their previous expression of choice. By redirecting members' contributions back into RLP Property Fund, the RLP Property Fund became part of the *Additional Default Arrangement* – Property Fund.

The *Additional Default Arrangement – Property Fund* is not an available investment option for new or existing members of the Scheme (unless they are already invested in the *Additional Default Arrangement – Property Fund*). New or existing members of the Scheme can invest in the RLP Property Fund or the RLP Deposit Fund through the Core Fund Range (see below).

Additional Default Arrangement – Emerging EMEA Fund

Due to the exceptional circumstances caused by the war in Ukraine, Fidelity suspended all new money being invested in the Fidelity Emerging Europe Middle East and Africa Fund. Existing investors will still be able to redeem assets from the Fund. Fidelity have not provided any guidance on when the suspension may be lifted. Following this, the future contributions of members who had chosen to invest in this Fund on a self-select basis were redirected into the RLP Deferral Alternative Fund. By re-directing members' contributions, the Trustees created the *Additional Default Arrangement – Emerging EMEA Fund*, which invested solely in the RLP Deferral Alternative Fund.

The Trustees are in the process of receiving investment advice on possible alternative investment options for the affected members. The Trustees will engage with the affected members on their investment options before making any further changes to the *Additional Default Arrangement – Emerging EMEA Fund*.

The *Additional Default Arrangement – Emerging EMEA Fund* is not an available investment option for new or existing members of the Scheme (unless they are already invested in the *Additional Default Arrangement – Emerging EMEA Fund*). Because of the ongoing suspension, new or existing members of the Scheme cannot currently invest in the Fidelity Emerging Europe Middle East and Africa Fund.

Core Fund Range:

In addition to the *Main Default Arrangement*, the Trustees have decided to implement a core range of funds for the membership. These funds give members a narrow choice of funds to select from. However, members will still be able to select from the full range of funds available from Royal London. The Core Fund range is as follows:

Asset class	Fund to be offered
Global equity (ex UK)	RLP/BlackRock World (ex-UK) Equity Index
UK equity	RLP/BlackRock Aquila UK Equity Index
Emerging Market Equity	RLP/BlackRock Emerging Markets Tracker
UK corporate bond	RLP/BlackRock Aquila All Stocks Corporate Bond Index
UK fixed interest gilts	RLP/BlackRock Aquila Long Gilt Index
UK inflation-linked gilts	RLP/BlackRock Aquila Over 5 Year Index Linked Gilts Index
Cash	RLP Deposit Fund
Shariah Fund	RLP/HSBC Amanah Global Equity Index Fund
Property	RLP Property

Other Investment Options:

The Trustees also wish to give those members (who feel comfortable in doing so) a reasonable degree of freedom to make their own investment choices. Consequently, members are able to select their own individual funds from the Royal London fund range, details of which are available via the Royal London website which all members have access to as a member of the Scheme.

Additional Voluntary Contributions

Additional Voluntary Contributions may be paid into any of the funds available for regular contributions.

Monitoring

The Trustees are not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of the default investment strategy and will obtain and consider advice where appropriate. The benchmark for each fund is set by Royal London.

Appendix III
DB Section Fund objectives & fees

M&G Investment Management (M&G)

M&G Total Return Credit Investment Fund

Benchmark	SONIA + 4% p.a. over 5-7 years
Objective	To achieve exposure to the credit risk premium by investing in a broad range of different credit assets.
Fees	AMC: 0.45% p.a. Additional Expenses: 0.01% p.a.
Transaction cost	Typical dealing spread: 0.08%

M&G Cash Fund

Benchmark	7-day Sterling Overnight Index Average (SONIA
Objective	To deliver a return in line with the 7-day Sterling Overnight Index Average (SONIA).
Fees	AMC: 0.10% p.a. Additional Expenses: 0.01% p.a.
Execution cost	Typical dealing spread: 0.00% p.a.

Notes: AMC: Annual Management Charge
The costs stated above are the latest available at the time of writing and are subject to change

Appendix IV
DC Section Fund benchmarks, objectives and fees

Royal London / Blackrock

World (ex-UK) Equity Index

Benchmark	FTSE AW ex UK (Developed) Index
Objective	The fund aims to track its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4% p.a.

UK Equity Index

Benchmark	FTSE All Share Index
Objective	The fund aims to track its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4% p.a.

Emerging Markets Tracker

Benchmark	FTSE Custom Emerging Net Midday Index
Objective	The fund aims to achieve capital growth by tracking the FTSE Emerging Markets Index
Fees	AMC: 0.55% p.a. OCF: 0.62% p.a.

Aquila All Stocks Corporate Bond Index

Benchmark	Markit iBoxx Sterling Non Gilts Overall Index
Objective	The fund aims to track its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4% p.a.

Aquila Long Gilt Index

Benchmark	FTSE A British Govt Over 15 Years Index
Objective	The fund aims to track its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4 % p.a.

Aquila Over 5 Year Index Linked Gilts Index

Benchmark	FTSE A (Index Linked) British Govt Over 5 Years Index
Objective	The fund aims to track its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4 % p.a.

Royal London

Deposit Fund

Benchmark	LIBID GBP 7 Day Index
Objective	The fund aims to outperform its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4% p.a.

RLP Property

Benchmark	ABI UK – UK Direct Property Sector Average
Objective	The fund aims to outperform its benchmark
Fees	AMC: 0.4% p.a. OCF: 0.4 % p.a.

Royal London / HSBC

Amanah Global Equity Index Fund

Benchmark	Dow Jones Islamic Titans 100 Index
Objective	The fund aims to track the benchmark
Fees	AMC: 0.4% p.a. OCF: 0.65 % p.a.

Notes: AMC: Annual Management Charge
OCF: Ongoing Charges Figure
Fees include Royal London administration costs

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