STATEMENT OF INVESTMENT PRINCIPLES SEPTEMBER 2020

2017 Stannah Pension Scheme

1. Introduction

1.1 This Statement has been prepared by the Trustees of the 2017 Stannah Pension Scheme (the “Scheme”). It sets out the principles governing our decisions about the investment of the Scheme’s assets. We refer to this Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.2 This Statement is designed to meet the requirements of:

- The Pensions Act 1995 (the “Act”), as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
- Subsequent legislation.

This Statement has been prepared after obtaining written professional advice from Mercer (the “Investment Consultant”). The Trustee believes that the Investment Consultant meets the requirements of Section 35 (5) of the Pensions Act 1995.

1.3 This Statement provides an overview of the Scheme’s investment arrangements. The Trustees have obtained advice from the Scheme’s investment consultants, Mercer Limited (“Mercer”), regarding the investment policy described by this statement. The Trustees’ investment powers are set out within the Scheme’s governing documentation and overriding legislation. If necessary, the Trustees will take appropriate legal advice regarding the interpretation of these. We note that, according to the law, we have ultimate power and responsibility for the Scheme’s investment arrangements. A copy of the Scheme’s Trust Deed is available on request.

1.4 We seek to maintain a good working relationship with the sponsoring company, Stannah Lifts Holdings Limited (the “Company”), and we will discuss any proposed changes to our investment principles with the Company. However, our fiduciary obligations to Scheme members will take precedence over the Company’s wishes, should these ever conflict.

1.5 We, as Trustees, believe that our investment policies and their implementation are in keeping with the Pensions Regulator’s DC Code of Practice No. 13 (the “Code”). We endeavour to ensure that the features set out in the Code are present within the DC Section, but recognise that not all features will be present, in equal measure, at all times.

1.6 We will review this Statement following any significant change in the Scheme's investment arrangements and, in any event, at least once every three years or sooner if required due to changes in the Scheme such as member demographics.

2. Roles and Responsibilities

2.1 The Trustees have ultimate responsibility for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take and which to delegate, the Trustees have taken into account whether it has the appropriate training and expertise in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees

- Set structures and processes for carrying out their role;
- Set investment structures and their implementation;
- Select and monitor investment advisers and fund managers;
- Set structures for implementing investment strategy;
- Select and monitor direct investments; and
- Make on-going decisions relevant to the principles of the Scheme's investment strategy.

Mercer, the investment consultant

- Advises on investment of the Scheme assets, including implementation;
- Advises on this Statement;
- Provides required training; and
- Advises the Trustees on the suitability of each fund's structure, composition and benchmark.

Scottish Widows Limited, the bundled services platform provider for the DC Section

- Operates within the terms of this Statement and the written long-term insurance contract with the Trustees;
- Provides access to a platform through which third party funds can be accessed by the Trustees, for the Scheme's members; and
- Provides pension administration services for the Scheme.

2.2 The Trustees undertake engagement activities, under the advice of the Scheme's investment consultant, with relevant persons (including investment managers and providers) about relevant matters in respect of the investments of the Scheme.

Underlying fund managers

- Responsible for the day-to-day management of the Scheme's assets invested in the funds they manage;
- Select individual investments with regard to their suitability and diversification, in line with their prospectuses and investment mandates; they have full discretion to decide whether to buy, sell or retain individual securities in accordance with these guidelines;
- Select and monitor the custodians of the investments within the pooled funds in which the Scheme invests; and
- Report to the Trustees (upon invitation) regarding the performance of those assets.

2.3 The investment managers levy a fee based on a percentage of the value of the assets under their management. Fees for the Scheme advisors are determined on a time-cost basis, with agreed fees for particular projects.

2.4 The Statement is divided into sections which the Trustees believe contain, in aggregate, the prescribed contents under the Act and subsequent legislation. Sections 3 to 5 deal with the strategic management of the Scheme's assets which is fundamentally the responsibility of the Trustees. Sections 6 to 12 deal with the day to day management of those assets (which is delegated to professional investment managers).

2.5 The Trustees are committed to maintaining the accuracy of this Statement on an on-going basis. However, their fiduciary obligations to Scheme members will take precedence over this Statement, should these ever conflict.

3. Investment Objectives and Beliefs

Defined Benefit Section

3.1 As the defined benefit section of the Scheme is closed to new entrants and the future accrual of benefits, the Trustees' primary objective is to protect the benefits accrued to date.

3.2 Following a decision by the Trustees and Company to secure the defined benefit liabilities of the Scheme, the Trustees purchased a bulk annuity policy which is held with Rothesay Life. The policy remains in the name of the Trustees and forms part of the assets of the defined benefit section of the Scheme.

Defined Contribution Section

3.3 The Trustees' objective is to make available to members a range of investments which seek to achieve real returns on members' assets while controlling, to an acceptable level, the risks arising from the potential volatility of such investments.

3.4 The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk.

3.5 The Trustees believe that members should make their own investment decisions based on their individual circumstances. However, the Trustees recognise that members may not wish or believe themselves able to make investment decisions. As such, the Trustees make available a default investment option, having considered advice from their investment consultants. The default option aims to deliver a moderate level of real return, at an acceptable level of investment risk, taking into account a typical member's varying risk profile over their working lifetime. The aims and policies regarding the default investment option are set out in section 5.3.

3.6 The Trustees also regard their duty as making available a range of other investment options to enable members to tailor their investment strategy to their own needs. The Trustees aim to make available a range of options which satisfy the needs of the majority of members whilst balancing flexibility and choice, as well as simplicity and cost control.

4. Risk Management and Measurement

Defined Contribution Section

4.1 The Trustee recognises that, under defined contribution arrangements, members bear the investment risk including, where applicable, the conversion of this accumulated sum into income in retirement, and that members' investment requirements will vary, particularly between members of different ages. The Trustee therefore provides a range of investment options (including three lifestyle strategies) which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances.

4.2 The Trustees have considered risk from a number of perspectives in relation to the DC Section, including the default option. The list below is not exhaustive, but covers the main risks considered by the Trustee in formulating the policy regarding the default investment options. The Trustees believe that these risks may be financially material. These risks, how they are managed and measured are as follows:

Risk	How it is managed	How it is measured
The investment return over members' working lives will not keep pace with inflation	The Trustees provide 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 bond funds)	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation
The range of funds made available to members is not appropriate for their needs	The Trustees make available a modest range of funds, covering key asset classes and different management styles; the Trustees aim to balance the conflicting objectives of providing an expansive range versus governing the range well	It is not possible to ascertain the appropriateness of the fund range for all members, so this risk is not explicitly measured
The investment vehicles in which monies are invested underperforms	The Trustees seek advice from their investment consultants on the suitability of investment vehicles	Considering the returns of funds relative to their

Risk	How it is managed	How it is measured
the expectation of the Trustees	and aim to invest in funds that are highly rated by their investment consultant, based on forward-looking expectations of meeting objectives	benchmarks and stated targets/objectives
Relative market movements in the years just prior to retirement lead to substantial reduction in the benefits received	The Trustees offer lifestyle strategies, one of which is the default investment option for the Scheme, which automatically switches member assets into less risky investments (relative to the targeted form of benefits) as they approach retirement, in order to reduce the risk of a substantial fall in the value of the targeted benefits near to retirement	Considering the returns of the funds used within the switching phase of the lifestyle strategies both in absolute terms as well as relative to the targeted benefits
Investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currencies)	The Trustees provide investment options that invest in local markets as well as overseas markets	Considering the movements in foreign currencies relative to pound sterling
The pooled funds through which the Trustees allow members to invest, do not provide the required level of liquidity	The Trustees access daily dealt and daily priced pooled funds through a unit-linked insurance contract from Scottish Widows	The pricing and dealing terms of the funds underlying the unit-linked insurance contract
The investment profile of the default investment option is unsuitable for the requirements of some members	The Trustees provide a range of self-select options that span different asset classes and risk characteristics. The Trustees also seek to ensure that the objectives of the default option are clearly communicated to members.	It is not possible to ascertain the suitability of all members investing in the default investment option, so this risk is not explicitly measured
Environmental, Social and Corporate Governance Risk	The risk that environmental, social or corporate governance concerns have a financially material impact on the return of the Plan's assets.	See section 12 below for the Trustee's responsible investment and corporate governance statement.

The Trustee also consider the following market risks;

Type of Risk		Description	How is the risk managed and measured?
Market Risk	**Inflation Risk**	The risk that the investment return over members' working lives will not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with or exceed inflation over the long term.
	Currency Risk	The risk that fluctuations in foreign exchange rates will cause the sterling value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances.
	Credit Risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	During the growth phase of the default option, members are invested in an allocation which is expected to grow their pension savings in excess of inflation.
	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the market value of investments.	Within active funds, management of many of these risks is the responsibility of the investment manager. The Trustee considers fund performance, including that of the default investment option, on a quarterly basis.

The Trustees believe that the investment objectives, beliefs and risks outlined above are in relation to what the Trustee considers financially material considerations. The Trustee believes the appropriate time horizon for which to assess these considerations is based on individual member's horizons, and are dependent on member age and target retirement dates. In designing the default lifestyle option and the Trustees have considered the proximity to target retirement dates when designing the strategy.

4.3 The Trustees also use a further number of methods to manage these risks.

- The Trustees receive regular reports from their investment consultants and monitor the returns achieved by the pooled funds managed by the investment managers, relative to the respective benchmarks. The Trustees will ensure relative returns are consistent with those expected and that excessive risk levels are not taken to achieve these returns.

- The Trustees will continue to monitor the range of funds offered by the Scheme to ensure they remain appropriate given members' needs of real investment returns. The

Trustees will look to ensure members of all risk profiles are catered for within the Scheme's investment arrangements.

4.4 Should the Scheme's circumstances alter in a material way, the Trustees will review whether and to what extent the Scheme's investment arrangements should be altered; in particular, whether the risk profile of the current investment options remains appropriate.

5. Investment Strategy

Defined Benefit Section

5.1 In addition to the bulk annuity policy held with Rothesay Life, the remaining defined benefit section assets are invested in the Legal & General Investment Management ("L&G") Cash Fund. The Trustees expect that investing the Scheme's remaining defined benefit assets in this fund should help to protect the capital value of these assets.

Defined Contribution Section

5.2 The Trustees offer two types of options to members, lifestyle options (the default investment option) and self-select options (in which members can choose to invest in any combination of the selection of funds offered).

5.3 *Default Investment Option*

The Scheme's default lifestyle strategy, the Annuity Lifestyle Strategy, currently invests in funds managed by Newton Investment Managers ("Newton"), L&G and BlackRock Advisors UK Limited ("BlackRock"). It invests in the Newton Global Balanced Fund until 5 years prior to retirement before switching to the L&G Pre-Retirement Fund and the BlackRock Sterling Liquidity Fund. The table below summarises the approach, although in practice the switches occur monthly:

Number of Years until retirement age	Assets in Newton Global Balanced Fund (%)	Assets in L&G Pre-Retirement Fund (%)	Assets in BlackRock Sterling Liquidity Fund (%)
5	100	0	0
4	80	15	5
3	60	30	10
2	40	45	15
1	20	60	20
0	0	75	25

The Annuity Lifestyle Strategy is the default option for members who have not expressed an investment choice. It is aimed at members who are likely to purchase a fixed annuity (75%) and withdraw cash (25%) at retirement.

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of members invested in the default option have not made an active investment decision.

Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership will take their benefits at retirement, the Trustees believe that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic or investment policy, if sooner.

The aims of the default option, and the ways in which the Trustees seek 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 option's growth phase invests in equities, property, bonds and cash (through the Newton Global Balanced Fund). These investments are expected to provide a real return over the long term with some downside protection (relative to a 100% equity strategy).

- To provide a strategy that reduces investment risk relative to the benefits members are likely to take at retirement, as members approach retirement.

  As a member's pot grows, investment risk will have greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, the Trustees believe that the majority of members in the DC Section who are enrolled in the default option will purchase an annuity at retirement, so the lifestyle strategy is designed to provide some protection of the amount of pension a member can buy in the form of an annuity, in the lead up to retirement.

  In view of the above, the Trustees consider the level of risk within the default option in the context of the variability of returns relative to annuity prices and cash rates.

  The lifestyle strategy therefore aims to reduce volatility and provide some protection against changing annuity prices as a member approaches retirement via automated lifestyle switches over the five-year period to a member's selected retirement date. Investments are switched into the (25%) BlackRock Sterling Liquidity Fund (for members to take tax-free cash) and (75%) L&G Pre-Retirement Fund (to reduce investment risk and preserve annuity purchasing power).

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to purchase an annuity and take a tax-free cash lump sum at retirement.

  At the member's selected retirement date, 25% of member's assets will be invested in the BlackRock Sterling Liquidity Fund and 75% in the L&G Pre-Retirement Fund.

The Trustees' policies in relation to the default option are detailed below:

- In addition to the Trustees' Investment Objectives and Beliefs (section 3), the Trustees believe, in order that assets are invested in the best interests of members, that:

- The default option manages investment risks through a diversified strategic asset allocation consisting of different types of traditional assets, through an allocation to a "balanced" fund. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- The Trustees has considered the balance of investments to be held in the default investment option, including the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate.

- Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of the membership. Based on the Trustees' understanding of the membership, a default option that targets annuity purchase is considered appropriate.

- Members are supported by clear communications regarding the aims of the default and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date. Moreover, members do not have to take their retirement benefits in line with those targeted by the default option; the target benefits are merely used to determine the investment strategy held pre-retirement.

- Assets in the default option are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by an investment manager.

- Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of member's savings.

- Assets are invested mainly on regulated markets and investment in derivative instruments contributes to risk reduction, or assists in the efficient portfolio management for the members.

- The selection, retention and realisation of assets within the pooled funds are delegated to the investment manager in line with the mandates of the funds. Further information regarding the Trustees' policies on on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is set out in section 12.

5.4 *Self-Select Investment Options*

In addition to the Trustee's Investment Objectives and Beliefs (section 3), the Trustee has the following aims for the self-select investment options so that the assets are invested in the best interest of members:

The Trustee aims to make available a self-select investment range which serve to meet the varying investment needs, risk tolerances, return objectives and time horizons for Scheme members to choose as they see fit based on their individual risk appetite and tolerance. The risks of these options are not considered in isolation but in conjunction with expected investment returns and anticipated retirement outcomes for members.

The self-select options consist of one alternative lifestyle strategy, the Cash Lifestyle Strategy, which targets a different retirement benefit than that targeted by the default option, namely full encashment of benefits at retirement. It invests in the Newton Global Balanced Fund until 5 years prior to retirement before switching to the BlackRock Sterling Liquidity Fund. The table below summarises the approach, although in practice the switches occur monthly:

Number of Years until retirement age	Assets in Newton Global Balanced Fund (%)	Assets in BlackRock Sterling Liquidity Fund (%)
5	100	0
4	80	20
3	60	40
2	40	60
1	20	80
0	0	100

In addition, a range of individual self-select funds are offered to members, where members can choose to invest in any combination of the following below.

- Artemis Global Capital Fund
- Baillie Gifford UK Equity Fund
- L&G 30/70 Global Equity Index Currency Hedged Fund
- MFS Meridian Global Equity Fund
- Newton Global Balanced Fund
- Newton UK Equity Fund
- Newton Global Equity Fund
- Schroder Diversified Growth Fund
- Standard Life Corporate Bond Fund
- L&G Pre-Retirement Fund
- BlackRock Sterling Liquidity Fund

Members can also combine investments in self-select funds alongside investments in a lifestyle strategy. Members can choose their investment options when they join the Scheme and also change them at any date in the future.

The Trustee believes that the self-select options available offer varying risk/return profiles and risks are managed by the members. In designing the available fund range, the Trustee has explicitly considered the trade-off between risk and expected returns.

Assets in the self-select investment options are invested in a manner which aims to ensure the security, quality, liquidity and profitability of member's savings.

Assets are invested mainly on regulated markets and investment in derivative instruments contributes to risk reduction, or assists in the efficient portfolio management for the members.

5.5 General guidelines for the funds mentioned above are provided in Section 7.

5.6 The Trustees keep the default strategy and the investment funds offered under regular review, at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members, to ensure they remain appropriate for meeting the Scheme's objectives set out in Section 3 and controlling the risks identified in Section 4 for the membership as a whole. This Statement will be updated following any significant revisions to the investment strategy for the DC Section. The performance of the default strategy is reviewed on a quarterly basis by the Trustees.

5.7 **Additional default arrangements**

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Scheme has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations) in addition to the current default investment option in which new members are directed.

These have been identified as 'additional default arrangements' as members' accrued funds and contributions have been automatically directed to these funds without members having instructed the Trustees where their contributions are to be invested, these are not default arrangements for the purposes of auto-enrolment.

Fund	Previous Arrangement	Reason for identification as a 'default arrangement'
L&G Pre-Retirement Fund	Newton Long Gilt Fund	These defaults were created when funds were mapped to the Scottish Widows Limited Platform (previously Zurich) as part of the transition of the Scheme assets to the platform in H1 2017
BlackRock Sterling Liquidity Fund	BNY Mellon Sterling Liquidity Fund	

Prior to mapping members' investments across to the replacement funds, the Trustees took appropriate investment advice and considered these funds to be suitable for members in order to keep them in a similar type of investment fund as they were in previously and taking account of the demographics of the members invested in the funds. The Total Expense Ratios ('TERs'), which is the cost associated with the managing and operating of the funds, are below the charge cap legislation requirement of 0.75% p.a. that applies to default investment options.

The aims of the additional default arrangements and the ways in which the Trustees seek to achieve these aims are detailed below.

Fund	Aim and Objective	Primary Investments Held	Expected Risk and Return
L&G Pre-Retirement Fund	invests in fixed income securities and aims to broadly match the changes in the prices of fixed annuities.	This fund primarily invests in bonds (government and corporate)	Reduce investment risk relative to equity markets and preserve annuity purchasing power through matching changes in the prices of annuity
BlackRock Sterling Liquidity Fund	invests in a range of UK short-term money market investments and aims to provide a positive return across all market conditions, with an emphasis on capital preservation.	This fund generally invests in highly rated short term debt instruments, where the risk of loss of capital is significantly lower than with other classes.	The aim of the fund is to achieve a competitive cash return over time with low risk. It is not expected to produce returns that exceed inflation.

The Trustees' policies in relation to the additional default arrangements are detailed below:

- To provide members with a fund that is a suitable replacement for one that was removed from the Scheme.

- Assets in these additional default arrangements are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by an investment manager. The selection, retention and realisation of assets within the pooled funds are delegated to the investment manager in line with the mandates of the funds. Likewise, the investment manager has full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

- The performance of these funds are monitored quarterly, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

- Risks associated with these investments have been considered in line with the defined contribution section of the Risk Management and Measurement section of this document (Section 4.1).

6. Expected Return

Defined Benefit Section

6.1 The L&G Cash Fund aims to provide capital protection with growth at short term interest rates. The Trustees expect that the L&G Cash Fund will, over the long term, generate returns in line with that of its performance target.

Defined Contribution Section

6.2 The Trustees expect that each of the underlying investment funds available to members will, over the long term, generate returns in line with their respective performance targets.

6.3 It is members' decisions to determine the balance between different kinds of investments they hold. This balance will determine the expected return on members' assets and should be related to the members' own risk appetite and tolerances.

7. Day to day management of the assets

Main Assets

7.1 Day-to-day management of the assets is delegated to professional investment managers who are all regulated by the Financial Conduct Authority (the "FCA").

7.2 The investment managers have full discretion to buy and sell investments on behalf of the Scheme, subject to the constraints of their respective mandates. The Trustees invest the assets of the Scheme in pooled fund arrangements with

- L&G;
- Newton;
- BlackRock;
- Artemis Investment Management;
- Baillie Gifford & Co.;
- MFS International (UK) Limited;
- Schroder Investment Management; and
- Standard Life Investments.

7.3 The investment managers have been selected for their expertise in the different specialisations and manage investments for the Scheme in each pooled fund to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured.

Defined Benefit Section

7.4 **L&G Cash Fund**

The portfolio managers of the L&G Cash Fund must comply at all times with the rules governing the management of collective investment schemes set by the regulator, the FCA.

Within this framework, L&G also impose a set of internal restrictions, which are commensurate with the objectives of the Fund and nature of the unit holders. These self-imposed restrictions may be subject to change.

Defined Contribution Section

7.5 General guidelines for each of the funds are provided below:

Artemis Global Capital Fund – the fund aims to achieve capital growth from a diversified portfolio investing in any economic sector in any part of the world.
Benchmark: MSCI All Country World Index
Target: To outperform the benchmark by 5% p.a. over a market cycle.

Baillie Gifford UK Equity Fund – the fund aims to achieve above average total returns by investing in UK equities (stocks normally listed on the London Stock Exchange).
Benchmark: FTSE All-Share
Target: To outperform the benchmark by 1% – 1.5% p.a. (before fees) over rolling 3-year periods.

L&G 30/70 Global Equity Index Currency Hedged Fund – the fund aims to capture the total returns of the UK and overseas equity markets in line with the FTSE All-Share Index in the UK and the FTSE All-World (ex-UK) Index. The fund aims to maintain a fixed 30/70 weighting between UK and overseas assets. A total of 75% of the overseas assets will be currency hedged to sterling (£), this will exclude assets priced in emerging market currencies.
Benchmark: 30% FTSE All-Share Index, 70% FTSE All-World (ex-UK) Index (with 75% of developed overseas currency exposure hedged to sterling)
Target: To capture the total returns of the benchmark, within an acceptable tolerance.

MFS Meridian Global Equity Fund – the fund aims to achieve capital appreciation, measured in US dollars.
Benchmark: MSCI World Index
Target: To outperform the benchmark by 2% p.a. over a market cycle.

Newton Global Balanced Fund – the fund seeks to implement a balanced investment strategy, with an emphasis on equities, but also invests in bonds, property and cash.
Benchmark: 37.5% FTSE All Share, 37.5% FTSE World (ex-UK), 20% FTSE Government All Stocks and 5% LIBID 7 day cash
Target: To outperform the comparative index by 1% - 2% p.a. over rolling 5 year periods.

Newton UK Equity Fund – this aims to provide a return by investing in UK companies. The fund will primarily invest in larger companies and may invest in fixed interest and convertible securities as well as ordinary shares.

Benchmark: FTSE All-Share Index
Target: To outperform the benchmark by 1% - 2% p.a. over rolling 5 year periods.

Newton Global Equity Fund – this aims to achieve long term growth by investing in stocks and shares, quoted on major stock markets around the world. The fund may also invest in collective investment schemes.
Benchmark: MSCI AC World
Target: To outperform the benchmark by 2% p.a. over rolling 5 year periods.

Schroder Diversified Growth Fund – the fund aims to exceed Retail Price Inflation over an interest rate cycle through investing in a wide range and variety of assets.
Benchmark: UK Retail Price Inflation
Target: To outperform the benchmark by 5% p.a. over an economic cycle, typically a five year period, but this is not guaranteed.

Standard Life Corporate Bond Fund – the fund aims to provide long term growth mainly from the reinvestment of income generated by investing predominantly in Sterling denominated corporate bonds. The fund is actively managed and may also invest a proportion of assets in other bonds (e.g. overseas bonds and gilts) and/or money market instruments to try to take advantage of opportunities they have identified.
Benchmark: Merrill Lynch Sterling UK Non-Gilt All-stocks index
Target: To outperform the benchmark by 0.8% p.a. over a rolling market cycle.

L&G Pre-Retirement Fund – the fund aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product
Benchmark: Composite benchmark
Target: To capture the total returns of the composite benchmark, within an acceptable tolerance.

BlackRock Sterling Liquidity Fund – the fund aims to achieve an investment that is in line with wholesale money market short-term interest rates.
Benchmark: Seven Day LIBID
Target: To outperform the benchmark before fees.

7.6 As the assets of the Scheme are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the investment manager. The Trustees are satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each asset class provides adequate diversification of investments.

8. Other Assets

8.1 Assets in respect of members' AVCs are held in one of the above funds available under the Defined Contribution Section.

8.2 Working cash balances are held separately.

9. Investment Manager Fees

9.1 The table below details the total expense ratio ("TER") charged for each fund available used within the Scheme:

Fund	TER
L&G Cash Fund	0.125% p.a. plus £1,500 fixed fee p.a.
Artemis Global Capital Fund	1.020% p.a.
Baillie Gifford UK Equity Fund	0.600% p.a.
L&G 30/70 Global Equity Index Currency Hedged Fund	0.253% p.a.
MFS Meridian Global Equity Fund	0.830% p.a.
Newton Global Balanced Fund	0.680% p.a.
Newton UK Equity Fund	0.720% p.a.
Newton Global Equity Fund	0.730% p.a.
Schroder Diversified Growth Fund	0.870% p.a.
Standard Life Corporate Bond Fund	0.493% p.a.
L&G Pre-Retirement Fund	0.245% p.a.
BlackRock Sterling Liquidity Fund	0.210% p.a.

Source: Scottish Widows, L&G. TERs as at August 2019.

10. Realisation of Investments

10.1 In general, the Scheme's investment managers have discretion in the timing and realisation of investments and in considerations relating to the liquidity of those investments.

11. Choosing Investments

The Trustee considers the investment objectives and policies when choosing investments either for the self-select range or for inclusion within the default investment option. The Trustee receives written advice from their Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

12. Socially Responsible Investment and Corporate Governance

12.1 The Trustees believes that environmental (including climate change), 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 Trustees note that each of the categories of environmental, social and corporate governance can be viewed independently and grouping these together is to a certain extent may not be appropriate. The Trustees believe it is their duty to the members to ensure that assets are invested within certain boundaries of prudency which informs the policy of to invest in sustainable assets in the long term.

12.2 When making investment decisions, the Trustees will consider the widest set of information available to them to help identify potentially material financial issues, however the responsibility of implementation will lie with investment managers.

12.3 The Trustees expect the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Equity managers registered with the appropriate regulator are expected to report on their adherence to the UK Stewardship Code on an annual basis.

12.4 The Trustees consider how ESG, climate change and stewardship is integrated within investment processes of new investment managers and monitoring of existing investment managers. Monitoring is undertaken on a regular basis through consideration of ESG ratings provided by the Trustees' advisors. The Trustees have also undertaken an explicit review of the managers in the default investment option and have confirmed that the managers process contains a reasonable level of ESG oversight within the bounds of a sustainable investment approach.

12.5 The Trustees keep the topic of corporate governance and responsible investment under periodic review and will review this policy regularly to ensure that the policy is applicable, appropriate and in line with expectations of the majority of the membership. The Trustees believe that their current approach is aligned with members best interests.

12.6 The Trustees believe that an understanding of, and engagement with, investment managers' arrangements is required to ensure they are aligned with Trustees' policies, including its policy with regard to ESG. In accordance with latest regulation, it is the Trustees' policy to ensure that the following are understood and monitored:

- How investment manager arrangements incentivise managers to align their strategy and decisions with the Trustees' policies

- How investment manager arrangements incentivise managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustees' policies

- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)

- Duration of the arrangement with the investment manager

12.7 The Trustees note that each investment manager of the underlying pooled funds offered on the platform has an investment management agreement or re-assurance agreement with the platform provider. The investment managers are responsible for managing the portfolios of assets within the investment guidelines, objectives, risk parameters and restrictions set out in the respective agreements but, subject to that, exercise discretion as appropriate when investing the portfolio. The investment managers have regard to the need for diversification of investments so far as appropriate and to the suitability of investments. They appoint custodians for the assets managed in the underlying funds. The pooled investment vehicles are daily-dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Trustees' or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager.

As there is no direct relationship between the Trustees and the investment manager and due to the pooled fund structure, the Trustee believes the level of engagement and influence they can exert on the funds invested is relatively low. The Trustees have the following policies in order to understand and monitor their arrangements with investment managers set out below:

- The Trustees consider their investment adviser's assessment of how each investment manager embeds ESG into its investment process and how the investment manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes consideration of the underlying investment managers' policy on voting and engagement and compliance with the Stewardship Code. The Trustees will use this assessment as part of their considerations when taking decisions around selection, retention and realisation of investment manager appointments.

- The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. Whilst the Trustees note that their ability to influence decision making within pooled fund structures is limited, the underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been chosen to manage. As such, the Trustees believe this creates alignment between investment managers and themselves. Consequently, if the Trustees are dissatisfied, then they will look to replace the manager. If the investment objective for a particular investment manager's fund changes, the Trustees will review it to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

- The Trustees will meet with their investment managers where necessary and receive updates from the managers on their ESG policies and engagement activity. Where needed the Trustees will challenge managers on their policies and instances where managers may not be aligned with best practices within the industry. This action is taken to try to ensure continuing improvement over the medium to long term in the performance of assets from both a financial and non-financial perspective.

- The Trustees receive and considers performance reports from their investment advisors on a quarterly basis, which present performance information for the funds over three months, one year, three years, five years, and since inception. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net-of-fees basis. Whilst the

Trustees' focus is on long-term performance, they also take shorter-term performance into account.

- If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required. As managers are renumerated based on the level of assets managed, there is a direct interest for investment managers to perform in line with objectives in order to retain mandates and continue to receive compensation on an ongoing basis.

- The Trustees do not currently define target portfolio turnover ranges for investment managers, particularly as the Trustees use pooled funds. The Trustees consider portfolio turnover costs indirectly through consideration of trading costs incurred throughout the year for a fund, provided within transaction cost data received annually, and is considered as part of the annual value for members assessment.

- All the funds used are open-ended, with no set end date for the arrangements. The default arrangement and the self-select fund range are reviewed on at least a triennial basis. An underlying manager's appointment may be terminated if it is no longer considered to be optimal, nor have a place in the Scheme's arrangements.

12.8 Non-financial matters refer to the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impacts of investments and the future quality of life of members.

12.9 The Trustee has not sought member views in informing the policy regarding the selection, retention and realisation of investments. This position is reviewed periodically in line with the wider review of the policy on corporate governance and responsible investment.

12.10 These policies relating to responsible investment, corporate governance and non-financial matters are applicable to both the default investment option and all other arrangements within the DC section including the self-select fund range options.

13. Monitoring the Investment Managers

13.1 The Trustees aim to meet each investment management organisation regularly to review the investment manager actions together with the reasons for and background behind the investment performance. Mercer has been retained as investment consultant to assist the Trustees in fulfilling their responsibility for monitoring the investment managers.

14. Compliance with this Statement

14.1 The Trustees will monitor compliance with this Statement annually and will undertake to advise the investment managers and other related parties promptly and in writing of any material change to this Statement.

15. Review of this Statement

15.1 The Trustees will review this Statement at least every three years or in response to any material changes to any aspects of the Scheme and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the principles set out in this Statement.

15.2 Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Adopted by the Trustees of the 2017 Stannah Pension Scheme on 21 September 2020