THE CHAIR’S STATEMENT REGARDING DC GOVERNANCE:
1 JULY 2018 – 30 JUNE 2019

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how The Quadrant Group PLC Retirement Benefit Scheme (“the Scheme”) is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. Note that the Scheme is closed to new entrants and there are no longer any active members.

The Scheme’s default arrangement is a lifestyling strategy, consisting of a growth and a pre-retirement stage. The growth stage spans the years when members are younger and as such, the investment horizon is long and the investor has a higher investment risk tolerance. During this phase, pension contributions are invested in higher risk assets with a view to maximise fund growth. As a member approaches retirement (the pre-retirement phase), the focus shifts to protecting the pension pot from sudden large falls in market value by structuring investments in such a way as to target a specific retirement need. The Trustee has identified the retirement target as annuity purchase (purchasing a pension from an insurer) and a cash tax-free lump sum withdrawal of 25% at the age of 65.

This strategy can be illustrated using the following graph and is explained further below.

![Graph of life style strategy]

The lifestyle strategy anticipates that members will be using 75% of their benefits to purchase an annuity and 25% of their benefits to draw as cash.

Throughout most of a member’s working life, contributions and savings are invested into the Aegon BlackRock 70/30 Global Growth Fund, an equity fund which is expected to deliver long-term growth but which is subjected to greater risk.

From seven years before retirement the investments begin to automatically switch from the Aegon BlackRock 70/30 Global Growth Fund into the Aegon BlackRock Pre-Retirement Fund on an annual basis. The Aegon BlackRock Pre-Retirement Fund is a bond fund which tracks the movement in annuity prices to prepare members for the purchase of an annuity and, at the same time, helps to reduce the risk of losing a large proportion of savings in the event of a market downturn so close to their retirement date.

Starting from five years before retirement, the lifestyle strategy also starts to move (on a yearly basis) a proportion of holdings into the Aegon BlackRock Cash Fund, a low-risk cash fund, in order to provide capital stability and prepare members for their 25% tax-free cash withdrawal at retirement, should they wish to do so.
Over this lifestyle period, the expected risk will continue to reduce, so that at the point of retirement, the strategy is fully invested in the annuity-ready fund and the cash fund, in a 75:25 ratio.

The Trustee has determined that the lifestyle transition offers an appropriate balance between risk and reward, and should therefore be the default option for those members who choose not to make their own investment decisions.

During the period covered by this statement, there have been no significant changes to the Scheme’s investment strategy as the Trustee does not have any major concerns regarding the performance or the objectives of the strategy.

The Trustee last received formal written advice on the Scheme’s default arrangement on 10 December 2014 and understands that although the investment strategy should be reviewed every three years (as a minimum), it is currently considering options to wind up the scheme into a master trust or Group Personal Pension arrangement which is why the review has not taken place during the period.

The default arrangement is described in further detail in the Statement of Investment Principles (SIP) which was last reviewed and updated by the Trustee in October 2019 and can be found online at www.synecticsplc.com and at the end of this statement. The SIP will be reviewed a minimum of every three years (i.e. by October 2022) or as soon as any significant developments in investment policy or member demographics take place.

The Trustee continually monitors the performance of the Scheme’s investments throughout the year and receive periodic performance reports from Aegon and is happy with the performance over the period covered by this statement and believes the Scheme’s investment strategy remains on track to meet the Trustee’s aims and objectives.

The Trustee has set up processes to publish relevant information on the default arrangement online at www.synecticsplc.com and will notify members about this in their annual benefit statements.

Processing Scheme transactions
The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members. It is important to note that the Scheme does not have any ongoing contributions as there are no active members.

Scheme transactions are undertaken on the Trustee’s behalf by the Scheme Administrator, Mercer Limited (Mercer), and its investment manager BlackRock Investment Management which are now held on the Aegon platform following Aegon’s acquisition of BlackRock’s DC platform and administration business. The Trustee periodically reviews the processes and controls implemented by those organisations and considers them to be suitably designed to achieve these objectives. The Trustee has a service level agreement (SLA) in place with the Scheme Administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Scheme Administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the admin team, daily monitoring of bank accounts and ‘four eyes’ checking of investment and banking transactions. During the period covered by this statement, 99% of work was completed within the agreed service levels. There were no issues relating to the processing of Scheme transactions. The Trustee continues to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer.

The Trustee also performs periodic assessments of methods and efficiency of the Scheme’s Administrator and challenges them in terms of their efficiency when necessary.

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds
The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds but should also include trading costs incurred within such funds. The Trustee has taken account of statutory guidance when preparing this section of the report.
Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>TER (%)</th>
<th>Transaction Cost (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aegon BlackRock 70/30 Global Growth Fund</td>
<td>0.76</td>
<td>0.137%</td>
</tr>
<tr>
<td>Aegon BlackRock Pre-Retirement Fund</td>
<td>0.51</td>
<td>0.001%</td>
</tr>
<tr>
<td>Aegon BlackRock Cash Fund</td>
<td>0.33</td>
<td>0.014%</td>
</tr>
</tbody>
</table>

Source: Aegon

Note that the 0.75% TER for default arrangements is not applicable here as the Scheme is not used for Auto-Enrolment.

The Trustee has also made the funds used within the default strategy available as self-select options for members who wish to take a more tailored approach to managing their own pension investments.

Cumulative effect of charges

The Trustee has taken account of statutory guidance when preparing this section of the report. The illustrations for the “Youngest” member of the Scheme uses the same assumptions as the “Average” member illustrations except for the age assumption, as explained below.

The compounding effect of charges on a member's fund can be illustrated as follows:

<table>
<thead>
<tr>
<th>Illustrations for an “Average” member</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Default Strategy</td>
</tr>
<tr>
<td>(the most popular option)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Years from now</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6 (retirement)</td>
</tr>
<tr>
<td>Total Fees</td>
</tr>
</tbody>
</table>

“Youngest” member illustrations

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Default Strategy</td>
</tr>
<tr>
<td>(the most popular option)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Years from now</td>
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<tr>
<td>3</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>13 (retirement)</td>
</tr>
<tr>
<td>Total Fees</td>
</tr>
</tbody>
</table>

It could be helpful to provide context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of an “Average” and “Youngest” members’ pots at retirement would be £52,242 and £43,950 in today’s money.

**Assumptions**

The above illustrations have been produced for an “average” member of the Scheme based on the Scheme’s membership data. Illustrations have also been done for the “youngest” member of the Scheme using the same assumptions as the “average” illustrations but using the age of the Scheme’s youngest member. The “Default Strategy” illustration assumes the member’s asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member’s assets are invested in that fund up to Scheme retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

<table>
<thead>
<tr>
<th>Age</th>
<th>“Average” member</th>
<th>59 (the average age of the Scheme’s membership)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Youngest” member</td>
<td>52 (the youngest member of the Scheme)</td>
</tr>
<tr>
<td>Scheme Retirement Age</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Starting Pot Size</td>
<td>“Average” member</td>
<td>£60,585 (the average pot size of the Scheme’s membership)</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.5% p.a.</td>
<td></td>
</tr>
</tbody>
</table>

**Expected future nominal returns on investment:**

<table>
<thead>
<tr>
<th>Default Strategy</th>
<th>4.0% above inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aegon BlackRock 70/30 Global Growth</td>
<td>0.4% below inflation</td>
</tr>
<tr>
<td>Aegon BlackRock Pre-Retirement</td>
<td>1.1% below inflation</td>
</tr>
<tr>
<td>Aegon BlackRock Cash</td>
<td></td>
</tr>
</tbody>
</table>

**Value for members**

The Trustee has a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme’s members in aggregate. The Trustee understands that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds.
The Trustee acknowledges that, given the small size of the Scheme, it is a struggle for the Scheme to provide good value to members. The Trustee accepts that members deserve better value from the Scheme and this has triggered the Trustee to explore the options available to wind-up the Scheme. The Trustee believes that winding up the Scheme into a pooled arrangement such as master trust or Group Personal Pension will reduce fees for members and provide better scheme governance compared to the current arrangement. The Trustee is reviewing wind up options and hopes to communicate the outcome of this review within the next 12-month period; this will provide information on the steps that the Trustee is looking to undertake.

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at www.synecticplc.com and will notify members about this in their annual benefit statements.

**Trustee’s knowledge and understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator’s Codes of Practice 07 and 13.

Directors of the Trustee are required to familiarise themselves with the Scheme’s trust deed, rules and governing documents and refer to the rules when considering an early retirement request. In addition, a de-risking exercise took place during the year and the Trustee was required to ensure everything was done in line with the rules demonstrating a working knowledge of the trust deed and rules.

Directors of the Trustee are also required to familiarise themselves with the Scheme’s SIP. By updating the SIP in October 2019 to allow for the new requirements around Environmental, Social and Governance (ESG) investing, the Trustee demonstrated a working knowledge of the SIP.

In addition, the Scheme’s business plan, risk register and data strategy policy are reviewed at each Trustee meeting. These documents are referred to on a day-to-day basis and demonstrating a working knowledge of all the documents setting out the Trustee’s current policies.

The Trustee has put in place arrangements for ensuring that its Directors take personal responsibility for keeping themselves up-to-date with relevant developments. Directors of the Trustee are encouraged to complete The Pension Regulator’s Trustee Toolkit within six months of taking up office. Over the last year, the Directors of the Trustee have received training on pensions legislation, ESG investing, and the principles of funding and investment for pension schemes. In addition, the Directors of the Trustee receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. Legislative updates are also included on the agenda for every Trustee meeting.

Taking account of actions taken individually by its Directors, and the professional advice available to them, the Trustee considers that it has sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes.

In addition, while most schemes simply focus on trustee training and use of advisers, the Trustee believes that knowledge and understanding should also be extended to awareness of member demographics and member behaviour; otherwise trustees cannot be certain that a scheme remains fit for purpose.

Considering all the points raised above, the Trustee believes that it is enabled properly to exercise their functions as Trustee of the Scheme.

The Chair’s statement regarding DC governance was approved by the Trustee and signed on their behalf by:

Claire Stewart

On behalf of the Trustee of the Quadrant Group PLC Retirement Benefits Scheme.

21 January 2020
Quadrant Group plc Retirement Benefits Scheme

Statement of Investment Principles – September 2019
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1 Introduction

This Statement of Investment Principles ("the Statement") has been prepared by Sanpho Pension Trustees Limited as Trustee of the Quadrant Group plc Retirement Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, a trading name of JLT Benefit Solutions Limited, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee’s investment policy for the Scheme.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.
2 Investment Objectives

DB Section:
The Trustee’s primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to reduce funding level risk by investing in asset classes that are sensitive to the effects of changes in gilt yields and inflation; being factors which affect the value of liabilities.

The Trustee believes that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

DC Section:
The Trustee aims to provide suitable investment options that are aligned to the needs of their members.

The Trustee recognises that in a defined contribution arrangement, members assume the investment risks themselves. The Trustee further recognises that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, four main types of investment risk can be identified, as noted below:

- **Investment-Return Risk** - the risk is that a member is not invested in those asset classes that are expected to generate the highest returns over the long run.

- **Annuity-Rate Risk** - the risk is that, when close to retirement, a member has not invested the part of his/her fund that will be used to purchase a pension in those asset classes (principally bonds), which protect against annuity-rate movements.

- **Capital-Protection Risk** - the risk is that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a tax-free lump sum in asset classes that are subject to volatility in capital-value terms.

- **Market-Switching Risk** - the risk arises if there is to be switching between investment vehicles. The risk is that large investment switches are made at one point in time, thereby unnecessarily exposing members to unfavourable market pricing on a particular day.

The Trustee has determined their investment policy in such a way as to address the above risks.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default lifestyle strategy.

Details of the approach the Trustee has taken to meet these investment objectives are set out in Section 4.

The Trustee will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.
3 Investment Responsibilities

3.1 Trustee Duties and Responsibilities

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustee carries out its duties and fulfils its responsibilities as a single body. The Trustee has considered establishing an investment sub-committee but has decided not to do so, as each of the Trustee Director wishes to contribute directly to the formulation of the Scheme’s investment policy and to the monitoring of the Scheme’s investment managers. Moreover, the Trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustee includes, but is not limited to, the following tasks and activities:

- The regular approval of the content of the Statement.
- The appointment and review of the investment managers and investment advisers.
- The assessment and review of the performance of each investment manager.
- The setting and review of the investment parameters within which the investment managers can operate.
- The assessment of the risks assumed by the Scheme at a total scheme level as well as on a manager by manager basis.
- The approval and review of the asset allocation benchmark for the Scheme.
- The compliance of the investment arrangements with the principles set out in the Statement.

3.2 Investment Adviser’s Duties and Responsibilities

The Trustee has appointed Mercer as the independent investment adviser to the Scheme for the purposes of drafting this Statement of Investment Principles. Mercer provides advice as and when the Trustee requires it. For such ad hoc work Mercer is remunerated primarily on a time-cost basis. Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustee believes that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority (“FCA”).

3.3 Investment Managers’ Duties and Responsibilities

The Trustee has appointed professional, authorised investment managers to manage the assets of the Scheme.

The details of each manager’s mandate and the basis of the contracts between the Trustee and its investment managers are set out in Appendix 3.

In particular, the investment managers are responsible for all decisions concerning the selection and deselection of the individual securities within the portfolios they manage.

All of the investment managers engaged by the Trustee are authorised and regulated by the FCA.
The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. The Trustee believes that this is the most appropriate basis for remunerating managers.

Some of the investment managers may also receive a performance-related fee for outperforming their benchmark. In such cases, the Trustee believes that this serves to align the interests of the investment manager with the objectives of the Scheme.

3.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, in so far as they relate to the Scheme's investments, is set out at Appendix 4.
4 Investment Strategy

4.1 Setting Investment Strategy

DB Section:

The Trustee has determined their investment strategy after considering the Scheme’s liability profile and their own appetite for risk, the Sponsoring Employer’s appetite for risk, and the strength of the Sponsoring Employer’s covenant.

The basis of the Trustee’s strategy is to invest the Scheme’s assets into a “stabilising” portfolio, comprising assets such as corporate bonds, gilts and index linked gilts. The Trustee regards the basic distribution of the assets to be appropriate for the Scheme’s objectives and liability profile.

The Trustee has established a benchmark allocation to each asset class, which is set out in Appendix 1. The Trustee has also set a range within which the allocation to each asset class is allowed to move without the need for corrective action to be taken.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided to pro rata the investments/ disinvestments from the funds held with Legal and General Investment Management. This approach is set out in Appendix 2.

DC Section:

Defined contribution schemes place the investment risk with the member. The Trustee has assumed responsibility by designing a lifestyle transition strategy in conjunction with written advice from their Investment Adviser, which provides a broad level of protection against the key risks identified.

Under a lifestyle transition strategy, members who are some way from retirement are provided with appropriate opportunities for asset growth, but with some volatility in asset values. Members’ assets are automatically switched from growth assets to protection assets as they approach retirement and this helps to manage the above risks. This transition is undertaken over a 7 year period of time to avoid placing reliance on asset values on any one particular transition date.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>7</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>100</td>
<td>85</td>
<td>70</td>
<td>50</td>
<td>30</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Fixed Interest</td>
<td>0</td>
<td>15</td>
<td>30</td>
<td>45</td>
<td>60</td>
<td>67.5</td>
<td>75</td>
</tr>
<tr>
<td>Cash</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>17.5</td>
<td>25</td>
</tr>
</tbody>
</table>

4.2 Investment Decisions

The Trustee distinguishes between three types of investment decision: strategic, tactical and security-level.
Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustee takes all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives.
- Determining the split between the growth and the matching portfolios.
- Determining the allocation to asset classes within the growth and matching portfolios.
- Determining the Scheme benchmark.
- Reviewing the investment objectives and strategic asset allocation.

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Security Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3 Types of Investments to be Held

The Scheme's assets are invested wholly via pooled vehicles.

The Trustee is permitted to invest across a wide range of asset classes, including the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
Cash

The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

4.4 Financially Material Considerations

The Trustee considers many risks which they anticipate could impact the financial performance of the Scheme’s investments over its expected lifetime. Such risks are set out in the next section of this statement. In setting their investment strategy, the Trustee chose funds which provide protection against movements in the Scheme’s liability value. The Trustee considers the financially significant benefit of this to be paramount.

The Trustee also recognises that environmental, social and corporate governance ("ESG") factors, such as climate change, can influence the investment risk and return outcomes of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

The Trustee further recognises that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

The Trustee will meet with the investment managers to understand how the funds the Scheme is invested in manage the ESG-related risks in the fund. Should the Trustee make changes to the current arrangements, the Trustee shall incorporate responsible investment principles into the review process.

4.5 Non-Financial Matters

When setting the investment strategy for the Scheme, Non-financial matters, such as ethical views, or members’ preferences have not been taken into account.

4.6 Stewardship

The Scheme is invested solely in pooled investment funds. The Trustee’s policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

If the Trustee is specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme’s membership.
5 Risk

Under the Pensions Act 2004, the Trustee is required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- They are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers’ objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers’ investment process.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme’s assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through regular assessment of the levels of diversification within the investment policy.

Corporate Governance Risk

- This is assessed by reviewing the Scheme’s investment managers’ policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustee from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme’s advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor’s business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.
Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme’s holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.
- The Trustee acknowledges that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustee will however ensure that they are comfortable with the amount of risk that the Scheme’s investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The Trustee acknowledges that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.

Interest rate risk

- This is the risk that an investment’s value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustee recognises that the DB Section’s liabilities are exposed to a significant level of interest rate risk movement and for this reason it is desirable for the Scheme’s assets to be exposed to interest rate risk.
- For the DC Section, The Trustee notes that it is also desirable for assets to be exposed to interest rate risk if the member intends to use those assets to purchase an annuity.
Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, diversified growth funds and property.
- The DB Section of the Scheme are invested in fixed income assets.
- For the DC Section, the Trustee has put in place a lifestyling strategy as the default investment option to reduce other price risk as a member approaches retirement.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme’s assets.
- The Trustee manages this risk by investing in well-respected investment managers where ESG principles are an established part of the investment decision making process.
6 Monitoring of Investment Adviser and Manager

6.1 Investment Adviser

The Trustee continually assesses and reviews the performance of their adviser in a qualitative way.

6.2 Investment Managers

The Trustee receives regular monitoring reports on the performance of their investment managers direct from the investment managers.
7 Additional Voluntary Contributions ("AVC’s")

There are no Additional Voluntary Contributions associated with either the DB or DC Schemes.
8 Code of Best Practice

DB Section:

The Trustee notes that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustee considers receiving investment advice which ensures that the principles contained within this guidance are applied to the Scheme as far as it is relevant to the Scheme’s circumstances.

The Trustee, monitors developments both in relation to the Scheme’s circumstances and in relation to evolving guidance, and will revise the Scheme’s investment approach if considered appropriate.

DC Section:

The Pensions Regulator publishes guidance on governance in relation to defined contribution arrangements. The Trustee monitors this guidance and apply it in relation to the DC Section of the Scheme.
9 Compliance

The Scheme’s Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme’s current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme’s investment managers, the Scheme’s auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on .................................................................

Signed on behalf of the Trustee by

Amanda ... Q. ... 

On

09/10/19 9/10/2019

Full Name

Amanda Laverder  Dilion Taylor

Position

Acting Finance Director  Head of HR
Appendix 1: Scheme Asset Allocation Benchmark

DB Section:

The Scheme’s asset allocation benchmark is set out below.

<table>
<thead>
<tr>
<th>Matching Assets</th>
<th>Allocation</th>
<th>Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Grade Corporate Bond Over 15 Year Index Fund</td>
<td>82.5%</td>
<td>80.5% - 84.5%</td>
</tr>
<tr>
<td>Over 15 Year Gilts Index</td>
<td>9.0%</td>
<td>8.0% - 10.0%</td>
</tr>
<tr>
<td>Over 5 Year Index-Linked Gilts</td>
<td>8.5%</td>
<td>7.5% - 9.5%</td>
</tr>
</tbody>
</table>

As at 30 June 2019, the Scheme also held a small proportion of assets in equities as set out below:

- Ordinary shares in Synectics plc

This holding is an “off-benchmark position”.

DC Section:

The Trustee aims to provide suitable investment options that are aligned to the needs of their members. In doing so the Trustee has made available the lifestyle strategy shown below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Years to Normal Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Equity</td>
<td>100</td>
</tr>
<tr>
<td>Fixed Interest</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>0</td>
</tr>
</tbody>
</table>
Appendix 2: Cashflow and Rebalancing Policy

With reference to the DB section of the Scheme, for amounts up to £200,000 investments and disinvestments will be taken from Legal and General Investment Management. Amounts shall be invested/disinvested pro rata.

For amounts in excess of £200,000 the Trustee should be consulted before any cashflow is made.
Appendix 3: Investment Manager Information

DB Section:

The Scheme invests with the following investment managers:

- Legal and General Investment Management ("LGIM")

The tables below show the details of the mandate(s) with each manager.

Stabilising Assets

<table>
<thead>
<tr>
<th>Investment Manager / Fund</th>
<th>Fund Benchmark</th>
<th>Objective</th>
<th>Dealing Frequency</th>
<th>Annual Management Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LGIM Investment Grade Corporate Bond &gt;15 Year Index</td>
<td>Markit iBoxx £ Non-Gilts Over 15 Years Index</td>
<td>To track benchmark to within +/- 0.5% p.a. for two years out of three</td>
<td>Weekly</td>
<td>0.08- 0.15 dependent on size of investment</td>
</tr>
<tr>
<td><strong>Gilts/ Index- Linked Gilts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LGIM Over 15 Year Gilts Index</td>
<td>FTSE A Government (Over 15 Year) Index</td>
<td>To track benchmark to within +/- 0.25% p.a. for two years out of three</td>
<td>Weekly</td>
<td>0.03- 0.1 dependent on size of investment</td>
</tr>
<tr>
<td>LGIM Over 5 Year Index- Linked Gilts</td>
<td>FTSE A Index-Linked (Over 5 Year) Index</td>
<td>To track benchmark to within +/- 0.25% p.a. for two years out of three</td>
<td>Weekly</td>
<td>0.03- 0.1 dependent on size of investment</td>
</tr>
</tbody>
</table>

As noted in Appendix 1, the Scheme also holds a number of ordinary shares in Synectics plc.
## DC Section:

<table>
<thead>
<tr>
<th>Investment Manager / Fund</th>
<th>Fund Benchmark</th>
<th>Objective</th>
<th>Dealing Frequency</th>
<th>Annual Management Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aegon BlackRock 70/30 Global Growth</td>
<td>70% FTSE All Share Index/ 30% Fixed Overseas Weights</td>
<td>To produce a return in excess of the benchmark</td>
<td>Daily</td>
<td>0.9% p.a.</td>
</tr>
<tr>
<td><strong>Stabilising Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aegon BlackRock Pre-Retirement</td>
<td>The benchmark takes into account a number of factors including current expected longevity of immediate annuitants, the yields available in the corporate bond market and the types of annuities generally purchased by DC Schemes. The benchmark is therefore dynamic.</td>
<td>To produce a return in excess of a benchmark designed to reflect long-term changes in immediate annuity prices</td>
<td>Daily</td>
<td>0.5% p.a.</td>
</tr>
<tr>
<td>Aegon BlackRock Cash Fund</td>
<td>7 Day LIBID</td>
<td>To track the benchmark before fees</td>
<td>Daily</td>
<td>0.3% p.a.</td>
</tr>
</tbody>
</table>
Appendix 4: Responsibilities of Parties

Trustee

The Trustee’s responsibilities include the following:-

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate.
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary.
- Appointing the Investment Managers and custodian (if required).
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser.
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement.
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis.

Investment Adviser

The Investment Adviser’s responsibilities include the following:-

- Participating with the Trustee in reviews of this Statement of Investment Principles.
- Production of independent performance monitoring reports.
- Advising the Trustee, at its request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme’s benefits, membership, and funding position may affect the manner in which the assets should be invested.
  - How any changes in the Investment Managers organisation could affect the interests of the Scheme.
  - How any changes in the investment environment could present either opportunities or problems for the Scheme.
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy.
  - Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians.

Investment Managers

The Investment managers’ responsibilities include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios.
Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.

Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments.

Giving effect to the principles contained in the Statement as far as is reasonably practicable.

**Scheme Actuary**

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall.
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels.

**Administrator**

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due.
- Paying benefits and making transfer payments.
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustee's instructions.

**Custodian**

The Custodian's responsibilities within the pooled funds include the following:

- The safekeeping of the assets of the Scheme.
- Providing the Trustee with quarterly statements of the assets, cash flows and corporate actions.
- Undertaking all appropriate administration relating to the Scheme's assets.
- Processing all dividends and tax reclaims in a timely manner.
- Dealing with corporate actions.