THE JACOB'S BAKERY RETIREMENT SCHEME

Statement of Investment Principles - December 2023

1. Introduction

This Statement of Investment Principles (the "Statement") sets out the principles governing decisions about the investment of the assets of the Jacob's Bakery Retirement Scheme (the "Scheme"). It is issued by the Scheme's Trustee (the "Trustee") to comply with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation, as well the Occupational Pension Scheme (Investment) Regulations 2005.

In preparing this statement the Trustee has consulted with the sponsoring employer to ascertain whether there are any material issues which the Trustee should be aware in, agreeing the Scheme's investment arrangements. The Trustee has also received and considered written advice from Aon Investments Limited ("Aon", or the "Investment Consultant"), who is suitably qualified and is authorised under the Financial Services and Markets Act 2000. 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).

The Scheme comprises two sections: a defined benefits section ("DB") and an additional voluntary contributions section ("AVC"). This statement relates to both sections of the Scheme, however there is no cross-subsidy between the different sections. The Trustee therefore considers it appropriate to look at each section separately when considering investment policy.

The Scheme's investment arrangements for both sections, based on the principles set out in the statement, are detailed in the Investment Policy Implementation Document (the "IPID"), which is available on request. The IPID will be reviewed promptly in response to any changes to the manager structure or strategy.

2. Process For Choosing Investments

The process for choosing investments is the same for both DB and DC and is as follows:

- Identify appropriate investment objectives/needs
- Agree the level of risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk

In considering the appropriate investments for the Scheme the Trustee obtained and considered the written advice from the Investment Consultant whom the Trustee believes to be suitably qualified to provide such advice. 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).

3. Defined Benefits ("DB") Section

3.1 Investment Objectives

The investment objectives of the Scheme are designed to ensure that:

- sufficient resources are available to meet beneficiaries' entitlement under the trust deed and rules;
- due regard is paid to the interests of the Sponsoring Employer in the size and incidence of contribution payments; and
- the volatility between the valuation of the Scheme's assets and the Scheme's liabilities is managed.
- The Trustee has also put in place a liability driven investing ("LDI") strategy to reduce interest rate and inflation risk by increasing the allocation to assets that match the interest rate and inflation characteristics of the liabilities. A framework has been put in place to increase the liability hedge ratio and so the level of interest rate and inflation risk is expected to progressively reduce.

3.2 Risk Management

The Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Scheme; these are listed below.

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 Trustee mitigates this risk by investing predominately in high quality instruments and the contracts it has with investment managers.

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

- Currency risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. Changes in exchange rates will impact the relative value of the assets and liabilities. The Trustee's policy is to eliminate a portion of this risk through the use of currency hedging.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. The Trustee mitigates this risk by aligning the interest rate sensitivity of its assets with those of its liabilities.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trustee mitigates this risk by investing its assets across a diversified range of asset classes and investment managers.

Mismatching risk: The Trustee invests in asset classes which are expected to demonstrate volatility when compared to the development of the Scheme's liabilities. This policy is adopted in anticipation of achieving returns above those assumed by the Scheme Actuary. However, the Trustee regularly reviews this risk and will consider reducing risk relative to the liabilities should the financial strength of the employer and/or its commitment to the Scheme deteriorate.

Inflation risk: This is the risk associated with the Scheme's pension liabilities increasing because of inflation. The Trustee mitigates this risk by aligning the inflation sensitivity of its assets with those of its liabilities as part of the LDI strategy.

Manager risk: The Trustee monitors the managers' performance on a regular basis and compares the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The Trustee has chosen to appoint both active and passive managers for the Scheme. Though the use of active managers increases manager risk, the Trustee believes this is outweighed by the potential gains from successful active management in certain asset classes.

Liquidity risk: The pooled funds in which the Trustee invests provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are believed to be sufficiently redeemable. The Trustee allocates a proportion of the investment portfolio to illiquid assets where the Trustee believes these provide diversification benefits to the portfolio. An appropriate majority of assets remain invested in liquid assets to ensure pension benefits can be paid when they fall due.

Concentration risk: The Trustee has adopted a strategy that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:

- by asset class (equity, bonds, etc.);
- by region (UK, overseas, etc.); and
- within each asset class, using diversified pooled funds.

Sponsor risk: The Trustee has considered the risk that the employer may be unwilling or unable to maintain the necessary level of contributions in future and have concluded that this risk is acceptable and that no further action is necessary to mitigate this risk.

LDI risks: The Trustee has considered the risks that specifically arise from the instruments used in the Scheme's LDI portfolio. These are: **collateral risk** (the requirement to post collateral to cover any losses on the derivative positions), **counterparty credit risk** (potential for loss as a result of a counterparty default), **liquidity risk** (inability to close out of derivative positions prior to maturity, if required), **roll risk** (inability to roll exposure when a derivative contract expires) and **basis risk** (arising from a higher funding cost and the use of instruments whose yield differs from that on which the liabilities are valued).

The following risks are also recognised by the Trustee:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment consultant when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance;
- The risk of deterioration in the Scheme's ongoing funding level;
- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the

Trustee/Scheme Actuary. This could lead to a higher than expected cost to the employer; and

- The risk of volatility in the Company contribution rate and the implications of this to the employer and the security of members' benefits.

3.3 Strategic Benchmark

The Trustee has established and agreed upon a strategic objective and investment benchmark for the Scheme.

Full details of the Scheme's current objectives, benchmark and de-risking framework are set out in the IPID.

3.4 Expected Return

The Trustee expects to generate a return, over the long term, of Gilts +1.4% p.a. The Trustee carries out asset-liability modelling periodically to quantify the level of investment risk (for example, as indicated by Value At Risk statistics) within the Scheme.

3.5 Portfolio Construction

The Trustee has considered the following framework in structuring the Scheme's investments:

- There is a role for both active and passive management. Passive management will be used for one of a number of reasons, including:
    - To reduce the risk of underperformance from active management where appropriate
    - To invest in markets deemed efficient where the scope for active management to add value is limited
- At the total Scheme level, and within individual manager appointments, investments should be diversified to ensure there is not a concentration of investment with any one issuer. This restriction does not apply to investment in UK Government debt.

4. Additional Voluntary Contributions (`AVCs') and Money Purchase Accounts

4.1 Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during members' working lives. They also recognise that members have different attitudes to risk. The Trustee considers that members should make their own investment decisions based on their individual circumstances. They regard their duty as making available a range of investment options which enables members to tailor their investment strategy to their own needs.

The following encapsulates the Trustee's investment objective:

"To make available a range of investment options in which members can choose to invest according to their investment needs and risk tolerances."

These objectives translate to the following principles:

a. Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Scheme members. This includes offering passively managed equity, bond and cash investment funds.

b. Actively managed funds will only be included to the extent that the Trustee has a high level of confidence in the respective investment managers achieving their performance objectives, net of investment management fees;

c. The range of pooled investment funds will have strategies that are highly rated by the Trustee's investment consultant unless the Trustee decides there is good reason not to;

d. Adopting a framework which provides flexibility to change investment managers proactively and which allows efficient fund switching (e.g. without out-of-market risk) as required;

e. Providing general guidance as to the purpose of each investment option;

f. Encouraging members to seek impartial financial advice from an appropriate party in determining the most suitable option for their individual circumstances;

g. In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustee aims to make available a range of options which satisfy the needs of the majority of members.

4.2 Risk Management

The Trustee has considered risk from a number of perspectives. The risks considered are:

Market risk: The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension. The Trustee manages this risk with the lifestyle strategy which aims to maximise investment returns for members who are further away from retirement and then gradually switch assets to bonds and cash as a member approaches retirement in order to reduce the risk of unfavourable market movements close to retirement. Market risk is comprised of three types of risk:

- **Currency risk**: The risk that 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 Trustee recognises that currency risk is present in the investment options offered to members.

- **Interest rate risk:** The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure. The lifestyle strategy gradually switches members' savings from equities to bonds and cash in order to protect them from interest rate risk.

- **Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 Trustee mitigates this risk by investing predominately in high quality instruments.

Inflation risk: The risk that investments do not keep pace with inflation and does not, therefore, secure adequate benefits at retirement. The Trustee manages this risk by providing funds which invest in equities. These investments are expected to provide above inflationary return over the long term.

Manager risk: The risk that the chosen underlying investment manager underperforms the benchmark against which the manager is assessed. This will lead to lower than expected returns to members. The Trustee recognise that the use of active investment management involves such a risk.

Mismatch risk: The costs of converting a member's accumulated savings into pension benefits at retirement is influenced by a number of factors such as long-term interest rates and life expectancy. The Trustee offer a lifestyle strategy and a number of investment options which help members invest more appropriately for how they wish to take their benefits.

Liquidity risk: The pooled funds in which the Trustee allows members to invest provide the required level of liquidity. Units in the pooled funds in which the members invest are believed to be readily redeemable.

Concentration risk: The Trustee has made a range of funds available to the members, so that they can choose to invest in a well-diversified portfolio.

The Trustee continuously monitors these risks and the appropriateness of the investments considering the risks described.

4.3 Range of Funds

The Trustee believes that the objectives and risks identified above are best met by offering members a range of investment funds from which to choose. The details of the funds currently available can be found in the IPID.

5. Both Sections

5.1 Choosing Investment

The investment agreements include several guidelines which, amongst other things, are designed to ensure that only suitable investments are held by the Scheme. The terms of the agreements do not allow the investment managers to do anything that could be speculative or "trading" by the Financial Services and Tax authorities.

Investment managers will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005, when selecting investments on behalf of the Scheme.

5.2 Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

Majority of the Scheme's assets are invested in quoted markets and are as readily realisable as the Trustee feels appropriate given the cashflow position of the Scheme and the expected development of the Scheme's liabilities. The investment managers can be required to realise investments as soon as it becomes appropriate to do so. The Trustee regularly monitor the cashflow needs of the Scheme.

5.3 The Arrangement with Investment Managers

The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their investment consultant.

The Trustee receives quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the investment managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their investment manager, which supports the Trustee in evaluation engagement activities of the scheme's investment managers.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the scheme invests in a collective vehicle, then the Trustee will express their expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment of all investment managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments. The Trustee does not regularly monitor investment managers against non-financial criteria of the investments made on their behalf.

5.4 Socially Responsible Investment and Corporate Governance

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believe that to fulfil this commitment and to protect and enhance the value of the Scheme's investments, it must act as a responsible steward of the assets in which the Scheme invests.

Environmental, Social, and Governance (ESG) considerations

As part of their delegated responsibilities, the Trustee expect the Scheme's investment managers to consider ESG considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee are taking the following steps to monitor and assess ESG related risks and opportunities:

- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a quarterly basis.

- Regarding the risk that ESG factors including climate change negatively impact the value of investments held if not understood and evaluated properly; the Trustee considers this risk by taking advice from their investment consultant when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Stewardship - Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the scheme invests, as this ultimately creates long-term financial value for the scheme and its beneficiaries.

The Trustee delegates all stewardship activities, including voting and engagement, to their appointed investment managers. As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to engage with investee companies with the aim to protect and enhance the value of assets where appropriate; and exercise the Trustee's voting rights in relation to the Scheme's assets. The Trustee accepts responsibility for how the manager stewards assets on their behalf, including the casting of votes in line with each managers' individual voting policies.

The Trustee regularly reviews the suitability of the scheme's appointed investment managers and takes advice from its investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee expects the Scheme's investment managers to use their influence as major institutional investors to carry out the rights and duties as a shareholder, including exercising voting rights along with – where relevant and appropriate – engaging with underlying investee companies on ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustee reviews its managers' voting and engagement policies and activities on an annual basis. The Trustee reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustee's, and therefore the members', best interests. The Trustee expects that their investment managers will provide details of their stewardship activities on at least an annual basis and will monitor this with input from their investment consultant.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours are being actioned. Prospective managers are required to provide this information in advance of their appointment.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy, the Trustee do not explicitly consider the views of members and beneficiaries, in relation to ethical views, social and environmental impact matters and present and future quality of life matters (defined as "non-financial factors").

5.4 Fees and Cost Monitoring

The Trustee recognises the importance of monitoring the level of investment costs incurred in the management of its assets and the impact these can have on the value of the assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the Scheme's investment managers that can increase the overall cost incurred by their investments.

Cost Transparency

The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what the Scheme is paying the investment managers. The Trustee works with its investment consultant and investment managers to understand these costs in more detail where required.

The Trustee assess the performance of its investment managers on a quarterly basis and the remuneration of its investment managers on at least an annual basis via collecting cost data in line with the CTI templates.

Portfolio Turnover

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's investment consultant monitors this on behalf of the Trustee as part of the manager monitoring.

Evaluation of Performance and Remuneration

The Trustee undertakes analysis of the Scheme's costs and performance for their active managers on at least a triennial basis by receiving benchmarking analysis comparing the Scheme's specific costs and performance of the underlying managers relative to those of the wider market. This is in line with the Trustee's policies on reviewing the kinds and balance of investments to be held.

5.5 Myners Code of Best Practice

The Trustee is aware of the recommendation from the Myners report with respect to greater transparency within their Statement. The Trustee has considered these recommendations when formulating their investment policy and has included them within this Statement to the extent they feel is appropriate.

5.6 Investment Managers

The investment managers have been appointed by the Trustee.

The investment managers will prepare reports to the Trustee as requested, including:

- valuation of all investment held for the Scheme;
- records of all transactions together with a cash reconciliation; and a review of recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy.

The investment managers will notify the Trustee in advance of any new investment categories in which they are proposing to invest.

5.7 Investment Consultant

The Investment Consultant typically works on the basis of fixed fees which are agreed in advance by the Trustee on a project basis.

5.8 Consultation with the Company

The Company's Representative is provided with copies of the Investment Consultant quarterly investment report, the Agenda and Minutes relating to investment matters. The Company representative is invited periodically to the Trustee Board meetings.

5.9 Review of this Statement

The Trustee will review this statement at least every three years and promptly following any significant change in investment policy. Any change to this statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension Scheme investments. The Trustee will also consult the Company prior to making changes to the statement.

INVESTMENT POLICY IMPLEMENTATION DOCUMENT TO THE STATEMENT OF INVESTMENT PRINCIPLES

THE JACOB'S BAKERY RETIRMENT SCHEME

JUNE 2022

1. Introduction

This document is supplemental to the Statement of Investment Principles (the "Statement") and contains the investment policy of The Jacob's Bakery Retirement Scheme (the "Scheme").

2. Defined Benefit Section

2.1. Investment Strategy

Given the investment objectives in the Statement, the Trustee has implemented the investment strategy detailed in the table below. The Trustee believes that the investment risk arising from the investment strategy combined with the risks arising from active management are consistent with the overall level of risk being targeted.

Asset Class	Benchmark Allocation (%)
Return Seeking	**49.0**
Overseas Equity (GBP Hedged)	1.0
Minimum Volatility Equity	4.0
Illiquid Credit: Bank Capital Relief	6.25
Illiquid Credit: Direct Lending	6.25
Illiquid Credit: Real Estate Debt	6.5
Absolute Return Bonds	8.5
Cash Plus	16.5
Matching Assets	**51.0**
Buy and Maintain (Credit) Bonds	10.0
Liability Matching Portfolio	41.0
Total	**100.0**

Totals may not always add up exactly due to rounding.

The current investment strategy targets an expected return of gilts +1.4% p.a. The funding strategy includes a plan to de-risk the investment portfolio over time as the funding level improves and the Scheme becomes more mature.

The liability hedging programme is implemented by BlackRock via their pooled Liability Matching Funds. The Trustee is currently targeting a hedging level of 95% of interest rate and inflation exposure. This is based as a percentage of the technical provision liabilities.

Please note that the Scheme may also hold an allocation to cash.

2.2. Day-to-Day Management of the Assets

The Trustee delegates the day-to-day management of the assets to:

- BlackRock Advisors (UK) Limited ("BlackRock");
- M&G;
- CVC Credit Partners (“CVC”);
- ICG-Longbow (“ICG”);
- Pacific Investment Management Company (“PIMCO”);
- Aon Investments Limited (“AIL”); and
- Insight Investment Management ("Insight").

All the investment managers are authorised and regulated by the appropriate regulator and have fill discretion to buy and sell investments on behalf of the Scheme, subject to the constraints of their mandate.

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the Scheme's assets.

The Trustee has taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing in the Scheme's investments and that they are carrying out their work competently.

The Trustee regularly reviews the continuing suitability of the Scheme's investments, including the appointment of investment managers and the use of active management. Any such adjustments would be done with the aim of ensuring that the objectives and overall level of risk is consistent with that being targeted as set out in the Statement.

2.3. Manager Mandates

Asset Class	Manager	Investment Objective (gross of fees unless stated differently)	Annual Management Fees (% p.a.)
Overseas Equities (GBP Hedged)	BlackRock	Passively track the benchmark such that performance is within 2.5% p.a. of the benchmark in two out of three years	0.13 on first £25m 0.08 on next £75m 0.05 thereafter
Minimum Volatility Equities	BlackRock	Passively track the benchmark	
Single dated Index-Linked Gilts and Gilts Fund	BlackRock	Passively track the benchmark for the respective index	
Sterling Liquidity Fund	BlackRock	Track 7 Day UK LIBOR	0.125
LDI Portfolio	BlackRock	Track the liabilities of the Scheme based on the Scheme's cashflow benchmark	0.20 on first £25m 0.15 on next £25m 0.10 thereafter
Buy and Maintain Corporate Bond	Insight	Maintain a passive absolute return	0.15
Broad Opportunities Fund (Legacy)	Insight	Target a return of 3 Month UK LIBOR + (3% - 5%) p.a. over rolling 3-year periods net of fees.	0.45
Absolute Return Bonds	PIMCO	Target a return of 3 Month UK LIBOR + (3% - 4%) p.a. net of fees	0.85*
Cash Plus	AIL	Cash (Sonia) plus 1.5% p.a. over the long term	0.10
Illiquid Credit: Real Estate Debt	ICG	Net IRR of 2.75% in excess of LIBOR swap rate	0.40
Illiquid Credit: Bank Capital Relief	M&G	Target return of 8% p.a. net of fees over the long term	0.60 (performance fee of 15% of returns above 6%)
Illiquid Credit: Direct Lending	CVC	Target return of 7% p.a. net of fees over the long term	0.60 (performance fee of 10% of returns above 5%)

Notes:

*Subject to a minimum holding of £10m

2.4. Rebalancing at the total Scheme level

The Scheme's actual asset allocation will drift away from the strategic benchmark allocation due to the relative market movements of the asset classes. It will also take to 2022/23 to fully allocate all of the committed capital to Illiquid Credit.

The Trustee reviews the Scheme's actual asset allocation on a regular basis and may or may not decide to take action to rebalance towards the strategic benchmark, depending on a number of factors, including the perceived level of risk in the overall portfolio, their confidence in the investment managers to whom they have delegated day-to-day management of individual asset classes, current market environment and cashflow management.

2.5. Cashflow policy

In order to meet cash requirements, the Trustee source income directly from assets where available, as well as redeeming from Scheme assets giving consideration to: expected return on assets, liability hedging programme, long-term portfolios and transaction costs.

3. Additional Voluntary Contributions (AVC's) and Money Purchase Accounts

3.3. Day to Day Management of Assets

The Trustee has appointed Aegon as the manager of the assets in the AVC and Money Purchase Accounts. The broad objective and characteristics of each of the funds is given below.

Fund	Investment Characteristics	Total Expense Ratio (% p.a.)
Lifestyle Strategy	The Lifestyle Fund invests members' assets in the 50:50 Global Equity Fund up until ten years prior to normal retirement age. Over the ten years to normal retirement age their assets will systematically switch into the Over 5 Year Index-Linked Gilts Index Fund and the Cash Fund hence protecting members' retirement savings as they near retirement.	0.12-0.16
BlackRock Aquila Life (50:50) Global Equity Fund	The Fund aims to replicate the performance of the relevant indices in the UK and overseas markets. This fund offers members growth through investing in a diversified range of equities.	0.16
BlackRock Aquila Life Consensus Fund	The fund aims to replicate the performance of indices in the following asset classes: UK and overseas equity, UK and overseas government and corporate bonds and index-linked gilts. The allocation between these asset classes will be determined by reference to the ABI 40 – 85 Survey from 1 October 2016. The balance between equity and fixed income assets provides members with growth and income, with the additional benefit of diversification amongst asset classes.	0.16
BlackRock Aquila Life Over 5 Year Index-Linked Gilts Index Fund	The fund aims to replicate the performance of the FTSE Over 5 Year Index-Linked Gilts Index. The gilts provide an annual income stream and return of principal invested, both linked to the Retail Price Index, therefore protecting members' retirement savings against the effects of inflation.	0.11
BlackRock Aquila Life Cash Fund	The fund aims to achieve a return in line with wholesale money market short-term interest rates. The fund invests in a diversified range of high quality market instruments which yield a higher return than retail rates. This fund would be suitable for members nearing retirement who plan to take their benefit in cash.	0.13

Prudential With Profit Fund	The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in, shares and property which can be expected to produce attractive long-term returns, but the return on these assets can be volatile and so the fund is actively managed to prioritise the returns while controlling risk. Policy is closed to further contributions.	1.00

3.4. Lifestyle Fund Matrix

The Lifestyle Fund initially invests in the BlackRock (50:50) Global Equity Fund until members reach ten years before their Target Retirement Date when their contributions are gradually switched into the BlackRock Index Linked Gilt Fund and the BlackRock Cash Fund. This process is shown in the table below:

Years to Target Retirement Date (TRD)	BlackRock Aquila Life (50:50) Global Equity Fund (%)	BlackRock Aquila Life Over 5 Year Index-Linked Gilts Index Fund (%)	BlackRock Aquila Life Cash Fund (%)
10	100	0	0
9	90	5	5
8	80	10	10
7	70	15	15
6	60	20	20
5	50	25	25
4	40	30	30
3	30	35	35
2	20	40	40
1	10	45	45
0	0	50	50

3.5. Fund Benchmarks

The table below sets out the benchmarks used for the investment options currently offered to members in the AVC and Money Purchase Accounts:

Fund	Allocation	Benchmark	Outperformance Target	Tracking Error Tolerance
BlackRock Aquila Life (50:50) Global Equity Fund	50.00%	FTSE All-Share Index	To match the benchmark	Up to 0.4% p.a.
	16.67%	FTSE USA Index		
	16.67%	FTSE Developed Europe (ex-UK) Index		
	8.33%	FTSE Japan Index		
	8.33%	FTSE Developed Asia Pacific (ex-Japan) Index		
BlackRock Aquila Life Consensus Fund	100%	Composite	To match the benchmark	-
BlackRock Aquila Life Over 5 Year Index-Linked Gilts Index Fund	100%	FTSE A Over 5 Year Index-Linked Gilts Index	To match the benchmark	Up to 0.2% p.a.
BlackRock Aquila Life Cash Fund	100%	7 Day Sterling LIBID	To match the benchmark	-