Qualter, Hall & Co. Limited Retirement Benefits Plan

Statement of Investment Principles

January 2024

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Qualter, Hall & Co. Limited Retirement Benefits Plan ('the Plan').

The Plan is a sectionalised hybrid Defined Benefit (DB) and Defined Contribution (DC) arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The DB Section of the Plan is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared to comply with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004
- The Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Plan members on request to the Trustees and online.

2 Investment Decision Making

The investment of the Plan's assets is the responsibility of the Trustees. The Trustees' investment powers are set out in Rule 12.9 of the Definitive Trust Deed and Rules dated 24 December 1998. The powers granted to the Trustees are wide and this Statement is consistent with those powers.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority.

The Trustees have consulted the Principal Employer, Qualter, Hall & Co. Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Plan's DB Section investment strategy, the DC Section default strategy and investment options rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

3 Investment Objectives

3.1 DB Section

In determining their investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Plan when setting investment objectives and strategy. They have decided that the employer covenant is sufficiently strong to allow them to take a long-term view.

The Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer, and members, when setting the investment objectives and strategy, as it determines the Plan's funding requirements and members' long-term benefit security. Within the assumptions underlying calculation of the Technical Provisions, the Trustees have opted for a sufficiently prudent funding basis to be consistent with the Plan's historic practice of purchasing individual annuities for members upon retirement, reflecting the expected premium charged by insurers relative to the value of members' benefits if they were paid as pension from the DB Section's assets directly.

The Trustees' investment objectives are as follows:

- to ensure that the assets are of a nature to enable the Trustees to meet the DB Section's benefit outgo requirements as they fall due,
- to invest in a way that is consistent with the DB Section's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice, and
- to use the investment strategy to constrain volatility in the DB Section's funding position, subject to meeting the above return objective.

The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

3.2 DC Section

Investment options provided to members

The Trustees' objective is to provide members with access to a suitable range of funds that provide an appropriate range of expected risk and returns. Each fund offered would be expected to achieve at least one of the following aims:

- to generate investment growth in excess of price inflation over the long-term,
- to preserve capital, or
- to provide a relatively secure stream of income through interest payments and return of capital.

The range of funds should also offer value for money to members, have clear objectives that can be easily communicated and be sufficiently limited to avoid the risk of confusion from excessive choice.

Members who do not make their own choice

Where members do not make any investment choices, the Trustees will provide a default investment approach with the following objectives:

- to generate investment growth in excess of price inflation over the long-term,
- to reduce the potential variability of returns as members approach retirement, and

- as members approach retirement, to reduce uncertainty in the level of retirement benefits that will be paid to members.

4 Setting the Investment Strategy

The Trustees have appointed Legal & General Investment Management (LGIM, 'the Investment Manager') to undertake the day-to-day investment management of the Plan's assets for both the DB Section and DC Section of the Plan.

The Trustees' policies in setting the investment strategy are set out below.

4.1 DB Section

Policy	
Selection of Investments	The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the DB Section's investments. The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the DB Section, matching part or all of the future liabilities due from it. The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the DB Section.
Balance of Investments	The Trustees will set a Target Asset Allocation and Target Hedging Ratios from time to time, determined with the intention of meeting their investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the DB Section's liabilities or relevant regulations governing pension scheme investment.
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the DB Section's assets to professional investment managers and will not be involved in the buying or selling of investments.
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation, as well as the Target Hedging Ratios. The Trustees monitor the asset allocation and hedging ratios on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should these move significantly away from target.
Employer Related Investments	Neither the Trustees nor the Investment Manager directly hold any employer-related investments.
Realisation and Rebalancing of Assets	The Trustees make investments and disinvestments from the Investment Manager with the assistance of the Plan's administrators, Broadstone Consultants and Actuaries Limited, as necessary, to meet the DB Section's cashflow requirements.

Details of the DB Section's investment strategy are set out in Appendix A of this Statement.

4.2 DC Section

Policy	
Investments that may be used in the DC Section	The Trustees may offer investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds and commercial property. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may offer investment in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the DC Section's investments. The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the DC Section.
Selection of Funds for use by Members	Investment decisions regarding the fund choices to be made available to members are taken by the Trustees based on advice provided by their advisers, and taking into account the views of the Principal Employer. In selecting funds to offer to members of the DC Section, the Trustees will consider the investment objectives, expected returns, risks and other relevant characteristics of each fund. The Trustees regularly review the suitability of the fund options provided and, from time to time, may change investment managers, introduce additional investment options, or remove investment options, as appropriate.
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the DC Section's assets to professional investment managers and will not be involved in the buying or selling of investments.
Employer Related Investments	Neither the members nor the Investment Manager directly hold any employer-related investments.
Arranging Investment Transactions	The Trustees will invest, disinvest and transfer members' investments with the assistance of the Plan's administrator.
Illiquid Investments	The investment allocation of the DC Section's default lifestyle strategy does not include an allocation to illiquid assets, nor are any of the self-select options available to members categorised as illiquid funds. The DC Section has not allocated to illiquid assets in the past. Firstly, the size of the DC Section assets is small, and illiquid investing typically requires larger minimum dealing sizes which limits the investment opportunity set. Secondly, the charge cap of 0.75% for default arrangements can limit the attractiveness of higher cost illiquid fund options. Thirdly, the investment governance and administration surrounding illiquid investments is much greater compared to liquid asset investing. The Trustees will continue to monitor market and regulatory developments in relation to illiquid asset investing to determine whether it may be appropriate to introduce an illiquid allocation to the default arrangement at some point in the future.

Details of the DC Section's investment options and default lifestyling strategy are set out in Appendix B of this Statement.

5 Expected Returns

5.1 DB Section

The Trustees' overall return target is for the DB Section's assets to produce a return in excess of the long-term growth in the value of its liabilities calculated under the SFO.

In particular, the Trustees expect the assets to produce a return in excess of the expected growth of DB Section's Technical Provisions of around 0.65% p.a. (equivalent to gilt yields +0.15% p.a.)

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Absolute return bonds	To achieve a long-term return in excess of cash, to compensate for the additional risk associated with investing in a portfolio of absolute return bonds.
Fixed interest and index-linked government bonds	In line with the market yields available on the relevant underlying securities.

5.2 DC Section

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes members may make use of:

Asset Class	Expected Returns
Global and UK equities	In excess of UK price inflation, as measured by the Retail Prices Index (RPI), and in excess of the yield currently available on long-dated gilts.
Multi-asset	Comparable with the return from equities over an economic cycle of five to seven years, with significantly reduced volatility.
Fixed interest government bonds	In line with the market yields available on the relevant underlying securities.
Cash	Broadly in line with rates of interest available on short-term money market instruments.

6 Risks

6.1 DB Section

The Trustees have considered various risks the DB Section faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk, and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant and the timeframe until the remaining members are due to retire.

The Target Asset Allocation and Target Hedging Ratios have been determined with due regard to the characteristics of the DB Section's funded Technical Provisions.

The calculation of the DB Section's liabilities uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the calculated liabilities are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

Whilst the Trustees target high hedging ratios, they accept that their investment strategy may still result in some volatility in the DB Section's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the DB Section's liabilities.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their investment adviser, Broadstone.

The Trustees will monitor the investment and funding risks faced by the DB Section with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

6.2 DC Section

The Trustees have considered the various risks faced by members in determining the default investment approach and in choosing the funds to be offered to members who wish to select their own investments. These include:

- The risk of adverse market movements on investments.
- The risk that the value of investments may be eroded in real (inflation adjusted) terms.
- The risk of adverse currency movements on investments.
- The risk of investments being concentrated either by asset class, sector or geographical region.
- The risk of default of the underlying holdings within the investments.
- The risk of investments being concentrated with a particular investment manager.

The Trustees consider that the default lifestyling strategy strikes a reasonable balance between seeking an appropriate level of return for members, whilst suitably mitigating key risks relative to the range of potential target benefits at retirement. The Trustees believe that the default lifestyling strategy provides an appropriately diversified strategy over the course of a member's working lifetime.

The Trustees also consider that the funds offered provide members with an appropriate range of investment approaches that enable them to express their own attitudes to risk and return.

The Trustees will monitor the investment risks faced by members of the DC Section with the assistance of their investment adviser at least every three years.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

7 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustees and the members are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Plan's assets held with the Investment Manager is performed by a custodian appointed by the Investment Manager.

The Trustees have considered the security of the Plan's holdings with LGIM, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

8 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Plan is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the DB Section's investment strategy. Within the DC Section, the Trustees have made available global equity and multi-asset funds with a sustainable investment focus for members to choose to invest in, with the sustainable global equity fund also being included in the DC Section's default lifestyling strategy.

The Trustees' policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustees recognise that Environmental, Social, and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Plan invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Plan's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues. With regard to the specific risk to the performance of the Plan's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Plan's and members' assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the DB Section's funding position or members' investment funds than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Policy	
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.
Engagement and Voting Rights	The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their and members' investments and is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager.
Capital Structure of Underlying Companies	Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	Trustees' views
Global and UK equities	Active*/Passive	The Trustees acknowledge that the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies. *In the case of the sustainable global equity fund, the Trustees recognise that the Investment Manager is able to amend the index to exclude companies which do not meet its minimum ESG standards. The fund is also tilted towards investment in companies that score highly on ESG metrics.

Multi-asset and absolute return bonds	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect the Investment Manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights. In the case of the sustainable multi-asset fund, the Trustees recognise that the Investment Manager is able to exclude companies which do not meet its minimum ESG standards. The fund is also tilted towards investment in companies that score highly on ESG metrics.
Government bonds	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

9 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, whilst also setting out a process for their management.

10 Duration of Investment Arrangements

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the Investment Manager. However, the arrangement will be reviewed in conjunction with any review of the investment strategy.

11 Incentivisation of Investment Manager

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

Neither the Trustees nor the members directly incentivise the Investment Manager to align the approach it adopts for a particular fund with the policies and objectives of the Trustees and/or members. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the investment objectives of the Plan and the members.

Neither the Trustees nor the members directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the DC members and the DB Section of the Plan.

12 Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet its investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy, or the underlying funds used in either section of the Plan.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

13 Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Plan's investment strategy, investment fund options, and Investment Manager.

The Trustees receive quarterly reports from the Investment Manager and meet with its representatives periodically to review its investment performance and processes.

The Trustees and Broadstone will monitor the Investment Manager's performance against its performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise the manager has had in meeting its objectives, both financial and non-financial.

The Trustees will consider on a regular basis whether or not the Investment Manager remains appropriate to continue to manage the Plan's investments.

The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

14 Review of Statement

The Trustees will review this Statement at least every three years or if there is a significant change in the Plan's circumstances or the regulations that govern pension scheme investment.

George Wild

On behalf of the Trustees of the Qualter, Hall & Co. Limited Retirement Benefits Plan

Date: 30 January 2024

Appendix A DB Section Investment Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the DB Section's invested assets is as follows:

Asset Class	Fund	Target Allocation
Absolute return bonds	LGIM Absolute Return Bond Fund	12.0%
Fixed interest government bonds	LGIM Over 15 Year Gilts Index Fund	60.0%
Index-linked government bonds	LGIM All Stocks Index-Linked Gilts Index Fund	28.0%
Total		**100.0%**

The balance between the asset classes will vary over time. The target allocations are indicative only and the underlying objective for the investment strategy will be to jointly maintain the target hedging levels, which protect against changes in long-term interest rates and inflation expectations.

A.2 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the DB Section's funded liabilities are summarised below. This includes DB underpin benefits in the DC Section to the extent these are not covered by member DC pots:

	Target Hedging Ratio
Interest rate risk	100%
Inflation risk	100%

A.3 Investment Manager

The Trustees entered into a contract with LGIM in August 1997. LGIM undertakes day-to-day investment management of the DB Section's assets. The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.4 Fund Performance Benchmarks and Objectives

The absolute return bond allocation is actively managed, with the objective set relative to a specified market benchmark. The fund's performance objectives are summarised below:

Fund	Benchmark	Performance Objective
LGIM Absolute Return Bond Fund	ICE BofA Sterling Overnight Index Average 3-Month Constant Maturity Total Return Index	To outperform the benchmark by 1.50% p.a. (gross of fees) over rolling three-year periods.

The fixed-interest and index-linked government bonds allocations are implemented using index-tracking funds, meaning they have objectives to track the total return on a specified market index within an agreed margin over a specified timescale. The funds' performance objectives are summarised below:

Fund	Benchmark	Performance Objective
LGIM Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the benchmark to within ±0.25% p.a. for every two years out of three
LGIM All Stocks Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts All Stocks Index	To track the benchmark to within ±0.25% p.a. for every two years out of three

A.5 Investment Management Charges

The annual management charge for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
LGIM Absolute Return Bond Fund	0.250% p.a.
LGIM Over 15 Year Gilts Index Fund	0.100% p.a.
LGIM All Stocks Index-Linked Gilts Index Fund	0.100% p.a.

In addition, LGIM make a flat administration charge of £1,000 per annum.

Appendix B DC Section Investment Implementation Summary

B.1 Investment Manager

The Trustees entered into a contract with LGIM in August 1997. LGIM undertakes day-to-day investment management of the DC Section's assets. The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

B.2 Investment Options and Annual Management Charges

The Trustees have made the following pooled funds available for members to invest in, which are shown with their associated annual management charges:

Asset Class	Fund	Annual Management Charge
Global equities	LGIM Future World Global Equity Index Fund	0.230% p.a.
	LGIM Global Equity Fixed Weights (60:40) Index Fund	0.160% p.a.
UK equities	LGIM UK Equity Index Fund	0.100% p.a.
Multi-asset	LGIM Multi-Asset (formerly Consensus) Fund	0.250% p.a.
	LGIM Future World Multi-Asset Fund	0.300% p.a.
Government bonds	LGIM Over 15 Year Gilts Index Fund	0.100% p.a.
Cash	LGIM Cash Fund	0.125% p.a.

B.3 Performance Objectives

The performance benchmark and objective for each fund available for members to use are shown below:

Fund	Fund Benchmark	Performance Objective
LGIM Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	To track the benchmark to within ±0.60% p.a. for every two years out of three
LGIM Global Equity Fixed Weights (60:40) Index Fund	Composite 60% FTSE All Share Index, and 40% overseas benchmarks	To provide diversified exposure to UK and overseas equity markets
LGIM UK Equity Index Fund	FTSE All-Share Index	To track the benchmark to within ±0.25% p.a. for every two years out of three
LGIM Multi-Asset (formerly Consensus) Fund	ABI Mixed Investments 40-85% Shares Sector*	To provide long-term investment growth through exposure to a diversified range of asset classes (excluding physical property).
LGIM Future World Multi-Asset Fund	ABI Mixed Investments 40-85% Shares Sector*	To provide long-term investment growth through exposure to a diversified range of asset classes (excluding physical property), whilst providing a stronger focus on ESG considerations.

LGIM Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the benchmark to within ±0.25% p.a. for every two years out of three
LGIM Cash Fund	Sterling Overnight Index Average	To track the benchmark without incurring excessive risk

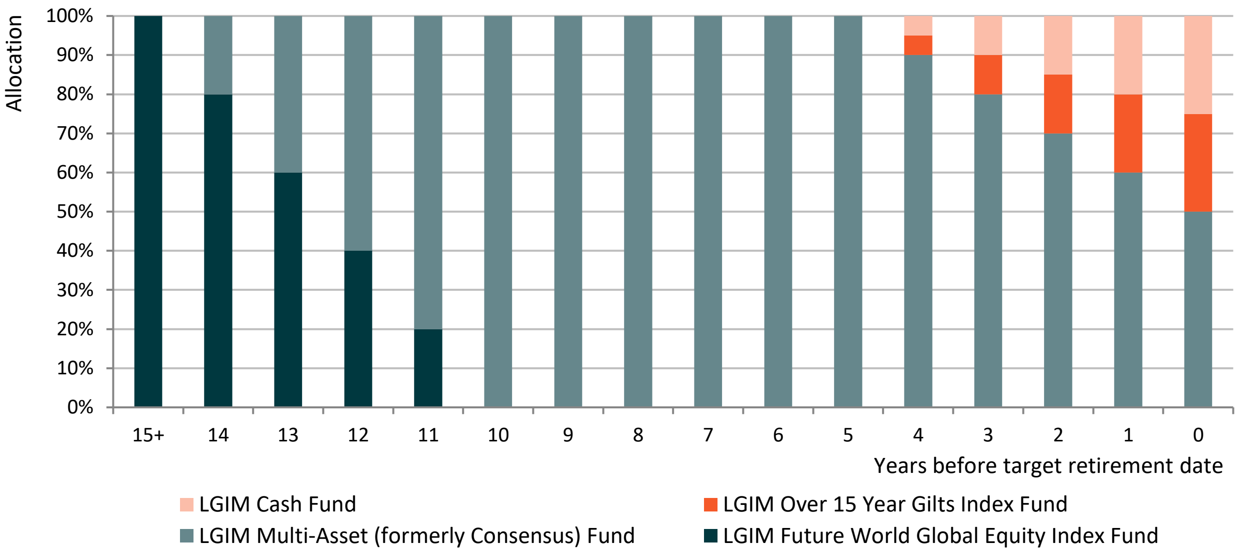
*These funds do not have a formal benchmark, returns can instead be compared to the comparator index.

B.4 Default Investment Approach

The Trustees have a lifestyling approach as the default investment option. The broad aim of the default investment approach is to provide higher levels of investment growth earlier in a member's working life, before gradually reducing the uncertainty in the level of benefits emerging as a member approaches retirement, switching their allocations to expectedly lower-risk investments.

In choosing this default investment approach, the Trustees have considered the needs of the members and have taken advice from their advisers. The default investment approach has been chosen primarily to be suitable for emerging benefit options where members take 25% of their fund as a tax-free cash sum, with the residual assets either taken as a taxed lump sum, or transferred to another registered retirement arrangement that provides flexi-access drawdown. Members also have the option to use their accumulated funds to purchase an annuity on the open market.

The default lifestyling strategy is set out below, where switches occur annually in January:



The Trustees will periodically consider if the default lifestyling strategy continues to meet the needs of the members, including benefits emerging at retirement for members of the DC Section.

Should members not wish to invest their assets in-line with the default lifestyling strategy, they have the option to invest in any combination of the wider funds listed in Section B.2.

B.5 Additional Voluntary Contributions

The DC Section holds AVC investments with LGIM, where members are able to invest in the full range of fund options available to normal contributions.