The Threadneedle Pension Plan
Statement of Investment Principles

This Statement of Investment Principles covers the defined benefit and the defined contribution sections of the Threadneedle Pension Plan (the "Plan"). The defined contribution section consists of Additional Voluntary Contributions (AVCs) and Annual Employer Contributions (AECs). This Statement of Investment Principles is set out in three parts. Firstly those policies specific to the defined benefit section, secondly those specific to the AVC and AEC section, and finally the Trustee's overall policies on issues that apply to both sections.

Defined Benefit Section

Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

STRATEGY

The Trustee currently invests all of the Plan's assets with Threadneedle Pensions Limited ('Threadneedle'). The current asset allocation strategy has been chosen to meet the objective above. The Trustee will monitor the actual asset allocation and its appropriateness to meet this investment objective.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. In addition the size of the Plan and strength of the principal employer's covenant were taken into account. The Trustee's policy is to make the assumption that, over the long term, equities and other growth assets will outperform assets such as gilts, which are expected to perform more closely in line with the liabilities ('matching' assets). Hence the Trustee maintains an allocation to both growth and matching assets.

The Trustee also assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in growth asset returns, particularly relative to the Plan's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the Plan's planned asset allocation strategy the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes including private equity, property and hedge funds.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee receives quarterly reports showing the performance of the fund manager versus benchmark.

RISK

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Plan's investment strategy.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

The Trustee will, as appropriate, consider these risks in either a qualitative or quantitative manner – or both – in consultation with its advisers. A formal review is undertaken as part of each formal investment strategy review (normally triennially). In addition, the Trustee's policy is to monitor, where possible, these risks quarterly.

IMPLEMENTATION

The single fund manager of the Plan is Threadneedle. The assets are managed through an Investment Management Agreement (IMA) split into two portfolios: the Growth Portfolio, which consists of an investment in the Dynamic Real Return Fund (the DRR Fund) and the Matching Portfolio which consists primarily of bond assets. The assets are currently allocated 70% to the Growth Portfolio and 30% to the Matching Portfolio, although this will change over time as the Trustee manages the Plan's risk level. The benchmark for the DRR Fund is CPI and its outperformance target is to exceed the benchmark by 4% per annum over the medium term. The Matching Portfolio is assessed against a benchmark based on the liabilities of the Plan and has no outperformance target.

The Trustee expects Threadneedle to:

- Make decisions over the realisation and retention of investments.
- Take into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Take responsibility for voting and corporate governance in relation to the Plan's assets.

The Trustee reviews the policies of Threadneedle in relation to the above issues periodically.

Threadneedle is remunerated on an ad valorem basis. The level of remuneration paid to fund managers is reviewed periodically by the Trustee against market rates to ensure the fund managers' interests are aligned with those of the Plan.

In addition, Threadneedle pays commissions to third parties on many trades it undertakes in the management of the assets and also incurs other ad hoc costs. The Trustee receives statements setting out these costs and reviews them periodically with advice from its investment adviser. This is to ensure that the costs incurred are commensurate with the goods and services received.

Threadneedle also arranges for custody of the assets underlying the Plan's investment arrangements with appropriate custodians. The custodians provide safekeeping for all the Plan's assets and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

AVC and AEC Benefits Section

Investment Objective In investing the assets of the Plan in a prudent manner, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. They have taken into account members' circumstances, in particular members' attitudes to risk and term to retirement.

STRATEGY

The Scheme Investment Objective is implemented using the range of investment options set out in the Appendix.

After taking advice, the Trustee decided to make a lifestyle option available to members. The lifestyle option also operates as a default if a member does not wish to make their own selection of funds. The structure of the default fund was chosen so as to try to maximise expected long-term investment returns but to protect against changes in annuity prices as members near retirement. The lifestyle option is designed to be appropriate for a typical member with a predictable retirement date. However, the lifestyle option may not be suitable for members who unexpectedly retire early or who opt for income drawdown.

It is the Trustee policy to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee investment advisers.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than the predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash funds will provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

RISK

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Plan. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of the default fund being unsuitable for the requirements of some members.

- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle option regularly.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

The Trustee uses Threadneedle and Prudential as the main investment managers. The managers' objectives (benchmark and performance target) and the range of funds offered are set out in the Appendix.

The managers are remunerated on an ad valorem basis. The level of remuneration paid to fund managers is reviewed periodically by the Trustee against market rates to ensure the fund managers’ interests are aligned with those of the Plan.

Matters Relating to Both Defined Benefit and AVC/AEC Sections

GENERAL

For both sections it is the Trustee's policy to consider:

- A full range of asset classes, including alternative asset classes such as private equity, property and hedge funds.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class in the defined benefit section planned asset allocation strategy and for investment in the AVC/AEC section.
- The suitability of different styles of investment management and the option of manager diversification.
- The need for appropriate diversification both across asset classes and within asset classes.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

INVESTMENT MANAGER ARRANGEMENTS

The Trustee has limited influence over managers' investment practices where the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. Where the Plan's assets are held in segregated investment arrangements, the agreements in place with managers incentivises them to align their investment strategy and decisions for those mandates with the Trustee's investment policies.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandates being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the funds. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover. There is greater scope to achieve this where the Plan uses segregated portfolios.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan’s investment mandates.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATONS

In setting the Plan’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include 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 its investment adviser when setting the Plan's asset allocation and where possible will behave in line with the Company's Responsible Investment Corporate Governance and Proxy Voting Principles when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustee will behave in line with the Company's Stewardship Principles where possible and expects the Plan's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Plan's assets.

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

Members' Views and Non-Financial Factors

The Trustee does not explicitly take into account the views of members and beneficiaries in relation ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Governance

The Trustee is responsible for the investment of the Plan’s assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

<table>
<tr><td colspan="2">Trustee
• Monitors actual returns versus Plan investment objective.
• Sets structures and processes for carrying out its role.
• Selects and monitors planned asset allocation strategy.
• Monitors direct investments.
• Selects direct investments (see below).
• Monitors and select investment advisers and fund managers.
• Makes ongoing decisions relevant to the operational principles of the Plan’s investment strategy.</td></tr>
<tr><td>Investment Adviser
• Advises on all aspects of the investment of the Plan assets, including implementation.
• Advises on this statement.
• Provides required training.</td><td>Fund Manager
• Operates within the terms of this statement, as far as is practical.
• Selects individual investments with regard to their suitability and diversification.</td></tr>
</table>

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee’s policy is to review its direct investments and to obtain written advice about them at regular intervals. These include the AVC investment vehicles. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018s

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

INVESTMENT ADVISER

Lane Clark & Peacock LLP has been selected as investment adviser to the Trustee. Lane Clark & Peacock LLP operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. Lane Clark & Peacock LLP is paid on a fixed-fee basis for certain work it undertakes for the Plan and on a time-cost basis for all other work. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

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Appendix

Threadneedle	Performance target	Benchmark Index	Investment Characteristics
Property	To outperform the benchmark by 1% -1.5% per year or better over rolling 3 year periods.	AREF/IPD UK Quarterly Property Fund Index weighted average	The investment strategy of the fund is to purchase units in the Threadneedle Property Pension Fund. This fund invests primarily in UK property, including retail and office, and industrial property.

Prudential	Performance target	Benchmark Index	Investment Characteristics
UK Equity Fund	To outperform the benchmark by 0.75%-1.0% a year (before charges) over rolling 3 year periods.	FTSE All-Share Index	The investment strategy of the fund is to purchase units in the M&G PP UK Equity Fund. That fund invests, via other M&G PP funds, in the shares of UK companies. The fund is actively managed against its benchmark, the FTSE All-Share Index. It is a “fund of funds” holding units in several more specialised UK equity funds giving access to a variety of methods for generating investment returns in differing market conditions.
UK Equity Passive	To match the performance of the benchmark as closely as possible.	FTSE All-Share Index	The investment strategy of the fund is to purchase units in the M&G PP UK Equity Passive Fund. That fund invests in the shares of UK companies. The fund tracks the index by holding all of the companies which make up the FTSE 100 Index (excluding Prudential plc), together with a representative sample of the remainder of the companies in the All-Share Index.
European Equity Passive	To match the performance of the benchmark as closely as possible.	FTSE World Europe (ex UK) Index	The investment strategy of the fund is to purchase units in the M&G PP Europe Equity Passive Fund. That fund invests in the shares of European companies outside the UK. The fund is passively managed against its benchmark, the FTSE World Europe (ex UK) Index. The fund tracks the index by holding all the larger companies in the index, together with a representative sample of the remainder of the companies in the index.

North American Equity Passive	To match the performance of the benchmark as closely as possible.	FTSE World North America Index	The investment strategy of the fund is to provide exposure to North American equities, an asset class that is expected to provide long-term returns that are ahead of inflation.
Long Term Growth Passive	To match the performance of the benchmark as closely as possible.	Composite benchmark	The investment strategy of the fund is to purchase units in the M&G PP Long Term Growth Passive Fund. That fund invests, via other M&G PP funds, in the shares of companies around the world against a benchmark of 50% UK and 50% overseas (in fixed proportions reflecting each region's economic importance). It is a "fund of funds" and both the proportions invested in each region and investments in each region are passively managed except for emerging markets which are actively managed. The split between the UK and overseas regions may be reviewed from time to time.
Dynamic Global Equity Passive	Deliver long term growth.	Composite benchmark	The fund aims to deliver long term (more than five years) growth by investing in underlying funds that track UK and overseas equities. The regional asset allocation is actively managed against an internal benchmark set by the M&G Treasury & Investment Office
Dynamic Growth III	Deliver long term growth.	Composite benchmark	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 20% of its assets in equities but not more than 55%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations
Dynamic Growth IV	Deliver long term growth.	Composite benchmark	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more

			than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Discretionary	To outperform the net median by 1.15% - 1.40% a year (before charges) on a rolling three year basis.	Composite benchmark	The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund. That fund provides a traditional balanced approach to investment, holding a mix of UK and overseas company shares, bonds, property and cash via other M&G PP funds. It is actively managed against the average asset allocation of the BNY Mellon CAPS Balanced Pooled Fund universe. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value.
Long Term Gilt Passive	To match the performance of the benchmark as closely as possible.	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	The investment strategy of the fund is to invest in British government gilts with over 15 years to maturity. The fund is passively managed, tracking movements in its benchmark. Tracking the index is achieved by fully replicating the small number of stocks in the Index.
Corporate Bond	To outperform the benchmark by 0.80% per year (before charges) over rolling 3 year periods.	iBoxx Sterling Non-Gilts Index	The investment strategy of the fund is to purchase units in the M&G PP All Stocks Corporate Bond Fund. This fund invests mainly in high quality Sterling corporate bonds across the range of maturities. The fund is actively managed against its performance benchmark. The fund may also hold British government gilts and derivatives (such as options and swaps) together with limited amounts of non-sterling and high yield corporate bonds where this may prove beneficial in the shorter term.
International Bond	To outperform the benchmark by 0.75% a year (before	Barclays Global Aggregate	The investment strategy of the fund is to purchase units in the M&G PP International Bond Fund. That fund invests in all the major

	charges) on a rolling three year basis.	Treasury Custom Over $3bn Index	government bond markets outside the UK with principal holdings in the US, Japan and Europe. The fund is actively managed against its benchmark. Both active stock selection and asset allocation are used to add value.
With-Profits	n/a	n/a	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 optimise the returns while controlling risk.
Long Term Bond	To match the performance of the benchmark as closely as possible.	50% tracking movements in the FTSE Actuaries UK Conventional Gilts Over 15 Years Index and 50% aiming to outperform the iBoxx Sterling Over 15 Years Non-Gilts Index	The investment strategy of the fund is to purchase units in the M&G PP Long Term Bond Fund. This fund invests in long dated bonds split equally between passively managed British government gilts and actively managed sterling corporate bonds. The split between government and corporate bonds may alter from time to time to reflect changing economic and market conditions.
Cash	To outperform the benchmark before charges on a rolling three year basis.	London Interbank LIBID 7 Day Deposit rate	The investment strategy of the fund is to purchase units in the M&G PP Cash Fund. That fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark.

	Performance target	**Benchmark Index**	**Investment Characteristics**
Lifestyle Fund	n/a	n/a	The lifestyle fund invests proportions of the members' funds in the Prudential Dynamic Global Equity Passive Fund, Prudential Long Term Bond Fund and the Prudential Cash Fund. The proportions invested in each fund change automatically as the member approaches retirement such that the risk exposed to decreases.