Statement of Investment Principles for the Panasonic UK Pension Plan (the "Plan")

November 2020

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Panasonic UK Pension Plan ("the Trustees") on various matters governing decisions about the investments of the Plan, a hybrid Defined Benefit Pension Scheme that is primarily Defined Benefit with a small amount of Defined Contribution Pension Scheme assets. This SIP replaces the previous SIP dated October 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Regulator's guidance for defined benefit pension schemes (March 2017) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Plan, and the principles contained in this SIP. The Trustees have consulted with the relevant employer in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- Appendix 1 sets out details of the Plan's investment governance structure, including the key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- Appendix 2 sets out the Trustees' policy towards risk appetite, capacity, measurement and management.
- Appendix 3 sets out the sets out the Plan's investment manager arrangements.

2. Investment objectives

The Trustees' primary objective for the DB Section is to ensure that the Plan should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustees also aim to maintain the Plan's funding position (ie the value of its assets relative to the assessed value of its liabilities) at an appropriate level. The Trustees are aware that there are various measures of funding and have given due weight to those considered most relevant to the Plan. The Trustees have considered the funding requirements detailed in the Occupational Pensions Scheme (Scheme Funding) Regulations 2005.

The Trustees have selected Phoenix Life Limited as the Plan's DC section provider. The default arrangement with Phoenix Life is the Phoenix Life With-Profits Fund. The DC section of the Plan relates to a legacy arrangement and as at 20 March 2020 had four deferred members in the default fund and one retired member. The Trustees have also selected ReAssure and Utmost Life and

Pensions as the Plan's money purchase AVC providers. Both ReAssure and Utmost have lifestyle strategies as the default arrangements.

The aims and objectives of the Trustees in relation to the DC and AVC default arrangements are as follows:

- Aim for long-term, real growth while members are far from their target retirement date;
- Gradually reduce the risk taken in the investment strategy as members become close to their target retirement date; and
- Have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

Section 8 in Appendix 3 contains more information on the Plan's DC and AVC arrangements.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the employer, reviewed the investment strategy of the DB section in November 2017 considering the objectives described in Section 2 above.

The funding strategy is based on a 'linear de-risking' approach assuming the allocation to the Plan's Growth Portfolio will linearly decrease from 75% in 2010 to 0% of the Plan's assets over 30 years to March 2040. The allocation to the Plan's Defensive Portfolio is assumed to correspondingly increase from 25% to 100% over the same period. This is equivalent to annual switches of 2.5%.

The Plan's investment strategy, as agreed in January 2018, is to hold a Growth Portfolio which is expected to always be at least equal to the proportion of these assets required under the funding policy (as shown in the table below). The strategic allocation below is expected to change in such a manner that is consistent with the agreed linear de-risking approach over the long term. However, from time to time the Trustees have agreed with the employer to hold less in the Growth Portfolio than is indicated by the funding policy (and in these instances the Trustees expect the level of de-risking to be maintained until the asset allocation gets back to that implied by the long term linear de-risking approach).

Asset class	Allocation
Global Equity	17%
Emerging Market	5%
Property*	8%
Diversified Growth Fund	14%
Short Dated Credit	4%
Total Growth Portfolio	**48%**
Liability Driven Investment	19%
Short Dated Credit	4%
Pensioner buy-in policies	29%
Total Defensive Portfolio	**52%**
Total	**100%**

*The Plan's strategic allocation to Property is currently being reviewed by the Trustees. Half the allocation was disinvested on 2 November 2020 and is temporarily invested in the Insight Sterling Liquidity Fund while a decision is made on where to invest it for the long-term.

The allocation to the Growth Portfolio will be monitored on a regular basis, and switches made when either the funding policy or market conditions make it appropriate.

4. Considerations in setting the investment arrangements

When deciding how to invest the Plan's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered investing in a wide range of asset classes, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumptions (above gilts) made by the Trustees in determining the investment strategy were:

- Average long-term return on Equities: 5.0%
- Average long-term return on DGF: 3.0%
- Average long-term return on Absolute Return Bonds: 1.5%
- Average long-term return on Property: 3.3%
- Average long-term return on Emerging Market Multi-Asset: 4.8%

In setting the investment strategy the Trustees considered:

- the Plan's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Plan's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Plan's overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Plan; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of the Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded, such as interest rate, inflation and currency, should generally be avoided, hedged or diversified;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Plan returns; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustees' key investment beliefs and understanding of the Plan's membership are reflected in the design of the default and other lifestyle options, and in the range of other funds made available to members.

In May 2013 and March 2018, the Trustees reduced investment risk by purchasing bulk annuity policies that each match the liabilities of a subset of the pensions in payment.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustees have signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Plan's investments.

The Trustees and investment managers to whom discretion has been delegated, must exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustees have limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. 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.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their 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 Trustees expect 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. They assess this when selecting and monitoring managers.

The Trustees evaluate 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 Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well as 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 Trustees recognise 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 Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees' preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). In general, the Trustees' policy is to use cash flows to rebalance the Plan's assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

For the DC Section, the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise their investments if needed.

7. Consideration of financially material and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds but expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity, but they do engage with current and prospective investment managers, including on ESG and stewardship matters. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

SIP signed for and on behalf of the Trustees of the Panasonic UK Pension Plan:

Signed: ____

Date: ____

Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that the division of responsibility allows for efficient operation and governance of the Plan overall. The Trustees' investment powers are set out within the Plan's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios;
- taking account of financially material considerations as appropriate when managing the portfolios of assets; and

- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether or not there is a direct relationship between the custodian and the Trustees) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the way the assets should be invested and the asset allocation policy; and
- participating with the Trustees in reviews of this SIP.

4. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustees have agreed Terms of Business with the Plan's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the Plan's employer

When reviewing matters regarding the Plan's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and employer work together collaboratively.

Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustees, and similarly the sponsoring employer, are willing to bear within the Plan in order to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their long term objectives before attainment of those objectives is seriously impaired. The Trustees aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the employer's covenant and how this may change in the near/medium future;
- the views of the sponsoring employer;
- the agreed journey plan and employer contributions;
- the Plan's long-term and shorter-term funding targets;
- the Plan's liability profile, its interest rate and inflation sensitivities (and level of hedging);
- the Plan's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Plan's current investment strategy, and based on market assumptions as at 31 January 2018, the Plan's 1 year 90% Value at Risk was £20m. This means that there is a 1 in 10 chance that the Plan's funding position (as measured on a technical provisions basis) could worsen by £20m or more over a one year period. When deciding on the current investment strategy, the Trustees believed this level of risk to be appropriate given the Trustees' and employer's risk appetite and capacity, given the Plan's objectives.

2. Approach to managing and monitoring investment risks

The Trustees consider that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Plan should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

In the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, the guaranteed investment return of the with-profits arrangement was considered to be appropriate for the members.

Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value. The Trustees believe that equity risk is a rewarded investment risk, over the long term. The Trustees consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. The Trustees believe that the Plan's assets are adequately diversified between and with each asset class. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustees on a regular basis.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

Illiquidity/marketability risk

This is the risk that the plan is unable to realise assets to meet benefit cash flows as they fall due, or that the Plan will become a forced seller of assets in order to meet benefit payments. The Trustees are aware of the Plan's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Plan's investments.

Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf.

Collateral adequacy risk

The Plan is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustees when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Plan's interest rate and inflation hedging could be reduced and that the Plan's funding level could suffer subsequently as a result. In order to manage this risk, the Trustees ensure that the Plan has a sufficient allocation to cash and other highly liquid assets (such as absolute return bonds) which can be readily realised, so that cash can be posted to the LDI manager at short notice.

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 Plan invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the custodian of those funds.

The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Plan's investments across a number of pooled funds. The Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing pooled funds.

The Plan is also exposed to direct credit risk through the annuity contract with Pension Insurance Corporation ("PIC"), the risk that PIC default on the contract. This risk is mitigated by the regulatory environment within which PIC operate whereby PIC is required to make a reserve for each policy by holding prescribed amounts (and to hold those amounts in prescribed asset classes). This is consistent with regulations in force throughout the UK insurance industry.

The Plan is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from the Plan's investments in diversified growth funds, absolute return bond funds and LDI funds.

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers and counterparties, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Currency risk

As the Plan's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate.

The Plan's assets that are exposed to currency risk are the pooled diversified growth funds, some of the overseas equity funds, and the emerging market funds which invest in non-Sterling investments.

The exposure to foreign currencies within the diversified growth pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within these pooled funds held are at the discretion of the appointed fund managers.

Interest rate and inflation risk

Some of the Plan's assets are subject to indirect interest rate risk. However, the overall interest rate exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustees believe that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Plan invests in with material exposure to changes in interest rates are the LDI funds and buy-in policies. The Trustees aim to hedge around 80% of the Plan's exposure to interest rate risk and 100% of the Plan's exposure to inflation risk (as a proportion of the liabilities measured on a technical provisions basis, excluding the buy-ins), by investing in leveraged LDI arrangements. The diversified growth funds may also have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns due to the investment approaches of these funds.

Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, Insight makes use within its LDI funds of derivative and gilt repos contracts and this fund is used by the Trustees to match efficiently a portion of the Plan's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

Risk from excessive charges

Within the DC Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Plan are in line with market practice and assess regularly whether these represent good value for members.

Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements. Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and

- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Plan's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Investment manager arrangements

1. Global Equities – Legal & General Assurance (Pensions Management) Limited

The Plan invests in global equities through the following Legal & General index-tracking fund which are priced weekly and are open-ended. The global equity benchmark:

Fund	Benchmark Allocation	Control Ranges	Benchmark Index
UK equities	20%	+/-1.50%	FTSE All-Share
North American equities	15%	+/-1.25%	FTSE World North America
North American equities – GBP Hedged	15%	+/-1.25%	FTSE World North America – GBP Hedged
Europe (Ex UK) equities	15%	+/-1.25%	FTSE Developed Europe (ex UK)
Europe (Ex UK) equities – GBP Hedged	15%	+/-1.25%	FTSE Developed Europe (ex UK) – GBP Hedged
Japanese equities	5%	+/-0.50%	FTSE World Japan
Japanese equities – GBP Hedged	5%	+/-0.50%	FTSE World Japan – GBP Hedged
Asia Pacific (ex Japan) equities	5%	+/-0.50%	FTSE Developed Asia Pacific (ex Japan)
Asia Pacific (ex Japan) equities – GBP Hedged	5%	+/-0.50%	FTSE Developed Asia Pacific (ex Japan) – GBP Hedged
Total	100%		

Legal & General will rebalance the asset allocation back to target on a monthly basis, should the permitted ranges be breached.

2. Emerging Markets– Legal & General

The Plan invests in emerging markets through the following Legal & General index-tracking funds. These funds are all managed on an index-tracking basis. These funds are priced weekly and are open-ended. The emerging market benchmark is as follows:

Fund	Benchmark Allocation	Control Ranges	Benchmark Index
World Emerging Markets Equity Index	50%	+/-4.50%	FTSE Emerging Equity
EM Passive Local Currency Government Bond	25%	+/-3.50%	JP Morgan Govt Bond Index - EM Global Diversified
EM Passive USD Government Bond	25%	+/-3.50%	JP Morgan EM Bond Index - Global Diversified

Legal & General will rebalance the asset allocation back to target on a monthly basis, should the permitted ranges be breached. The bond funds aim to provide diversified exposure to the constituents of the relevant reference index, in a cost efficient manner, rather than targeting the index return.

3. Property – Legal & General

The Plan invests in property through the Legal & General Managed Property Fund. The fund is priced weekly, is open ended and its performance target is to outperform its benchmark, the AREF/IPD UK Quarterly All Balanced Property Funds Index, over three and five year periods.

4. Diversified Growth Fund - Schroders Investment Management Limited,

The Plan invests in the Schroder Diversified Growth Fund. The fund is priced daily and is open ended. The objective of this fund is to generate a return of UK Inflation (CPI) plus 5% pa over an economic cycle (expected to be a five year period) with volatility less than two thirds of equities.

5. Short Dated Buy and Maintain Bond Fund – Insight Investment Fund Management Limited ("Insight")

The Plan invests in short-dated credit through the Short Dated Buy and Maintain Bond Fund and Sterling Liquidity Fund. The funds are priced daily and are open ended. The performance objective of the Short Dated Buy and Maintain Bond Fund is to seek to generate a return for investors by investing primarily in a portfolio of short dated debt securities. The Sterling Liquidity Fund aims to provide stable capital values, daily liquidity with an income comparable to sterling denominated short dated money market interest rates and is benchmarked against 7 day LIBID.

6. LDI - Insight

The Plan invests in LDI through Insight's Enhanced Selection Shorter Real, Shorter Nominal, Longer Real and Longer Nominal LDI funds. Insight's objective is to provide nominal and real returns reflecting a typical liability profile with dynamic instrument selection between gilts and swaps on a partially-funded basis. The funds are priced daily and are open ended.

The LDI funds have target leverages of around 3.5x (longer funds) and around 7x (shorter funds) the amount of capital in the funds. Insight will look at rebalancing these funds when the leverage goes outside of certain ranges around these targets.

The Plan has a 'Custody Lite' arrangement with Northern Trust where Insight has the discretion to move around assets within the LDI, Sterling Liquidity Fund and Short-Dated Buy and Maintain Bonds mandates whenever an LDI leveraging event occurs.

7. Pensioner buy-in policies - Pension Insurance Corporation ("PIC")

The Trustees have invested in two separate bulk annuity policies (the first policy commenced in May 2013 and the second in March 2018) with PIC each covering a subset of the pensions in payments. The objective of each policy is to match the Plan's benefit payments relating to those specific members' pensions covered by each policy.

8. Additional Voluntary Contributions and Defined Contribution

The Trustees have selected ReAssure and Utmost Life & Pensions as the Plan's money purchase AVC providers, and Phoenix Life Limited the Plan's DC section provider. The default arrangement with Phoenix Life is the Phoenix Life With Profits Fund. The DC section of the Plan relates to a legacy arrangement and as at 20 March 2020 had four deferred members in the default fund and one retired member. The Trustees reviewed this arrangement previously in 2018 and concluded that the guaranteed annuity rate offered by the Phoenix With Profits Fund was a valuable option to the members invested and are therefore comfortable that the current default is suitable for its existing membership.