

Sheffield Assay Office (1996) Pension Plan

Statement of Investment Principles

September 2020

Statement of Investment Principles

The Trustees of the Sheffield Assay Office (1996) Pension Plan ("the Plan") have prepared this Statement of Investment Principles ("the SIP") in accordance with the Pensions Act 1995¹ ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005 as well as the principles recommended by the Myners Code.

This SIP describes the investment policy being pursued by the Trustees of the Plan.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustees in respect of assets covering the defined contribution assets.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP the Trustees have:

- Obtained and considered the written advice from the Plan's Investment Consultant, XPS Pensions Group, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the employer.

Choosing investments

The Trustees set the investment strategy and investment policies for the Plan.

The Trustees have considered the strength of Employer covenant and member objectives when setting the investment strategy and policies.

The Trustees rely on Investment Managers for the day-to-day management of the Plan's assets but retain control over all decisions made about the investments in which the Plan invests.

Where Investment Managers are delegated discretion under Section 34 of the Act, the Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Investment Managers are authorised and regulated to provide investment management services to the Plan. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

The Trustees rely on the Investment Managers to appoint appropriate Custodians for pooled funds who are responsible for the safekeeping of the assets of the Plan. The Trustees rely on the Investment Managers to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Plan's entitlement within the pooled funds.

¹ As amended 31st March 2020

Investment objective and strategy

Investment objective

The Trustees have set the following objectives:

- To ensure members are given an appropriate range of investment options and guidance on the suitability of those options.
- To give members investment options that enable them to maximise their returns at acceptable levels of risk.
- To ensure funds represent appropriate value for members; this may include looking at areas such as performance, volatility of returns, transaction costs and management charges incurred. The Trustees will assess the value for members on a regular basis and understand the contributing factors.
- To ensure that members' invested funds make allowance for change in risk preference as members approach retirement.
- To ensure that any core financial transactions undertaken by the administrator are completed accurately, promptly and effectively.
- To provide flexible investment choices to members and ensure that members are able to switch their investment choices easily.
- To ensure that members have access to enough information about the investment options available and the process of switching investment choices, to enable them to make informed decisions about their investment choices and to understand the potential impact of those decisions on their pension savings.
- To adhere to the provisions contained within this SIP.
- To adhere to the Pension Regulator's DC code and DC regulatory guidance.

Investment strategy

The Trustees intend to meet the investment objective by:

- Providing members with an appropriate range of investment options to enable them to reasonably expect to meet their retirement aspirations, together with guidance on those options, allowing members to make informed decisions on their pension savings. This will include a range of different choices with different return and risk characteristics.
- Providing a Default Lifestyle Option that automatically switches from investments with higher expected returns to investments with lower expected volatility as the member approaches retirement.
- Periodically reviewing the structure of the DC Section and the funds made available to members.
- Regularly reviewing the performance and charging structure of funds available, as well as the value for money of available funds.
- Providing investment funds to members that take into account responsible investing and ESG considerations in a proportionate manner that is befitting the members' and Trustees' objectives.

The actual strategy adopted for the Plan is set out in the Appendix.

Investment restrictions

The Trustees intend to adhere to the following restrictions:

- No more than 5% of Plan assets can be held in investments related to the Employer.
- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g. for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.
- Stock lending is permitted at the discretion of the Plan's Investment Managers in line with their overall investment objectives, policies and procedures.

Investment risks

The Trustees have identified a number of risks including (but not limited to):

- **Asset risks:** Equity risk, Property risk, Currency risk, Credit risk, Interest rate risk, Inflation risk, ESG risk
- **Strategy risks:** Asset allocation risk, Liquidity risk, Annuity risk, Sequencing risk, Growth asset risk
- **Implementation risks:** Investment manager risk, Counterparty risk, Operational risk, Fraud, Administration risk

These risks are measured and managed by the Trustees as follows:

- The Trustees have set an investment strategy that adheres to the contents of this SIP.
- The Trustees receive strategic investment advice from the Investment Consultant that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustees undertake regular monitoring of the Scheme's investments supplemented by information provided by both the Investment Managers and Investment Consultant, as well as advice from the latter.
- The Trustees delegate the day-to-day management of some of these risks to the appointed Investment Managers.
- The Trustees consider the Investment Managers' role and approach to managing risk is considered when selecting appropriate Investment Managers.
- The Trustees utilise custodian relationships to ensure Scheme assets are held securely.
- The Trustees assess whether appropriate controls are put in place by themselves, the Investment Consultant, Investment Managers and Custodians (where there is a direct relationship).
- The risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non equity-orientated funds.
- The risk of administrative errors leading to inaccurate member records is addressed through controls built into the cash collection/allocation procedure and through monthly reconciliations of the administration records with those held by the investment manager.
- The Trustees recognise that ESG factors represent financially material risks to meeting long-term investment objectives, and factor this into the selection, retention and strategy design.

Range of assets

Based on the structure set out in the Appendix, the Trustees consider the arrangements with the Investment Managers to be aligned with the Plan's overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the Trustees or governing the pooled funds in which the Plan is invested.

The Trustees will ensure that the Plan's assets are predominantly invested in regulated markets to maximise their security.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including their selection / deselection criteria.

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- Ownership of the business;
- Leadership/team managing the strategy and client service;
- Key features of the investment and the role it performs in a portfolio;
- Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Current and historical asset allocation of the fund;
- Past performance and track record;
- The underlying cost structure of the strategy;
- Approach to stewardship, ESG factors and their integration.

In addition, any significant changes relating to the Trustees' selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees' meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Responsible investing and stewardship

As the Plan invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers.

The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation and the investment mandate guidelines provided, then the Trustees may consider terminating the relationship with that Investment Manager.

Environmental, Social and Corporate Governance

The Investment Consultant carries out reviews of how well ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Plan. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

The Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors and believes there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's investment managers.

The Trustees require the Plan's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustees' do not explicitly seek or take into account member beliefs or preferences regarding responsible investing when setting the investment strategy.

Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Signed on behalf of the Trustees of the Sheffield Assay Office (1996) Pension Plan:

Signature:

Handwritten signature of Christopher Heaton in black ink.

Name: Christopher Heaton - Chairman

Date: 24 September 2020

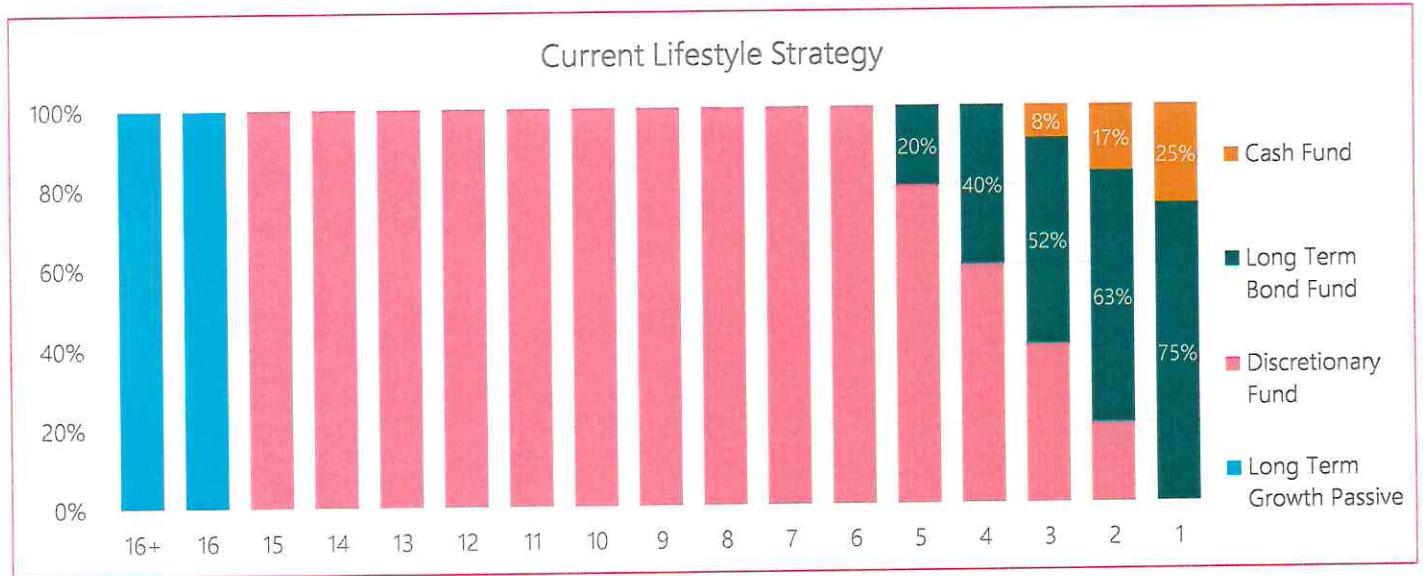
The Trustees annually review the implementation of the principles set out in this Statement.

This SIP is the responsibility of the Trustees. You must not use, copy or repeat any part of the SIP for commercial purposes without obtaining permission to do so in writing to us. We use material from third parties in preparing the SIP and although we try to ensure that all of the information is correct we do not give any express or implied warranty as to the accuracy of the material in the SIP and are not responsible, and do not accept and liability, for any error, omission or inaccuracy. We are not liable for any damages (including, without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the use of or inability to use this SIP, or any material contained in it, or from any action or from any action or decision taken as a result of using it.

Appendix – Investment strategy

Lifestyle Strategy – Pre 1 April 2021

The Lifestyle Strategy for the Plan is summarised below. This is the strategy in place up to April 2021.



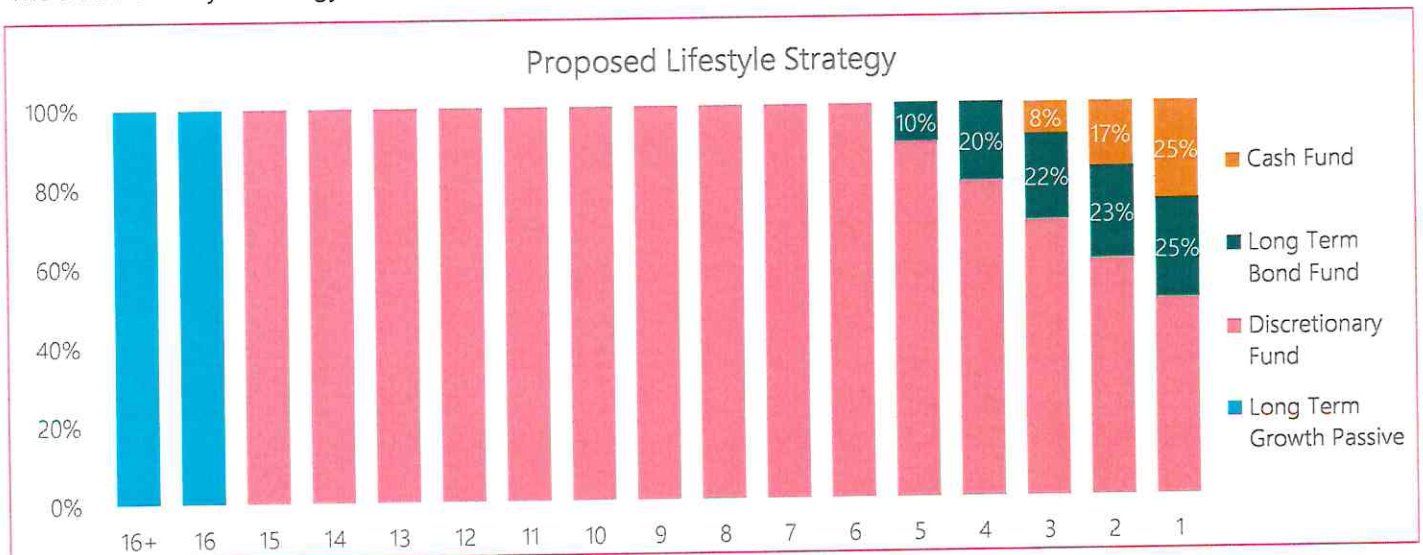
The current strategy is designed to transition from growth assets to more defensive assets as members approach retirement. The target holding for members when they reach retirement is to hold a mixture of 25% cash and 75% bonds. Lifestyling occurs on annual basis each 1 April.

The default strategy is designed to reflect the key characteristics of the Plan’s membership profile, as well as Trustees’ beliefs and has been set to deliver good member outcomes with an appropriate risk / return allowance. It has been agreed to be in the best interests of the members.

The investment fees payable by members who are invested in the current strategy will vary between 0.19% pa and 0.49% pa depending on their proximity to retirement. The Plan’s investments are managed by M&G Investment Limited.

Lifestyle Strategy – Post 1 April 2021

The Default Lifestyle Strategy for the Plan is summarised below.



The strategy retains exposure to growth assets at retirement through a 50% allocation to the Discretionary fund, being that at least half of the assets correspond to lower risk investments at retirement. The target holding for members when they reach retirement is to hold a mixture of 25% cash, 25% bonds and 50% discretionary. Lifestyling occurs on annual basis each 1 April.

The default strategy is designed to reflect the key characteristics of the Plan's membership profile, as well as Trustees' beliefs and has been set to deliver good member outcomes with an appropriate risk / return allowance. It has been agreed to be in the best interests of the members.

The investment fees payable by members who are invested in the proposed strategy will vary between 0.31% pa and 0.46% pa depending on their proximity to retirement. The Plan's investments are managed by M&G Investment Limited.

Self-Select Investment Funds

Members may elect to follow their own investment strategy by investing in a range of funds. The Trustees have made the following funds available to members:

Asset class	Manager and fund	Objective	TER (pa)	Trade Spread
	M&G Cash Fund	Outperform the London Interbank LIBID 7 Day Deposit Rate (gross of fees) on a rolling three year basis	0.10%	0.00%
	M&G Discretionary Fund	Outperform the ABI Pensions Mixed 40-85% Shares sector median (gross of fees) over rolling three years	0.48%	1.03%
	M&G Long Term Growth Fund	Track the performance of the blended benchmark as closely as possible. Represented by: 40.0% FTSE All-Share Index; 16.0% FTSE World North America Index; 16.0% FTSE World Europe (ex-UK) Index; 16.0% FTSE World Asia Pacific ex-Japan Index; 7.0% FTSE Japan Index; 5.0% MSCI Emerging Markets Index.	0.24%	0.50%
	M&G Long Term Bond Fund	Track the performance of the benchmark as closely as possible. Represented by: 50% FTSE Actuaries UK Conventional Gilts Over 15 Years Index and 50% iBoxx Sterling Over 15 Years Non-Gilts Index	0.21%	0.67%

Trade spread is represented by bid-offer price spread.

TER - Total Expense Ratio. (This fee is what investors incur, including admin and custodian charges associated with the investment. Represents the difference between gross and net performance). Quoted as at 30 June 2020



Registration

XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672.
XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346. XPS
Pensions (RL) Limited, Registered No. 5817049. Trigon Professional Services Limited, Registered No. 12085392.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and
general insurance business (FCA Register No. 528774).

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