Terra Nova Insurance Company Limited Pension & Life Assurance Scheme ("the Scheme")

Annual Implementation Statement – September 2020

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 30 September 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 (as amended) and the guidance published by the Pensions Regulator.

2. Investment objectives of the DB assets of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives defined. The objectives of the Scheme included in the SIP with regard to investment policy are as follows:

- To make sure that the Trustee can meet the obligations which have been promised to the beneficiaries of the Scheme by the Principal Employer.
- To pay due regard to the Employer's interests on the size and incidence of employers' contribution payments.
- To ensure that the investment policies pay due attention to the liability profile of the Scheme and achieve the desired balance between risk and performance.
- To regularly review the investment manager and monitor performance against benchmarks.

3. Review of the SIP

The Trustee reviewed the SIP in September 2020 in order to comply with the requirement to provide additional disclosures on their stewardship policy and investment manager arrangements, specifically:

(i) How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies.

(ii) How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

(iii) How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies.

(iv) How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.

(v) The duration of the arrangement with the asset manager.

4. Assessment of how the policies in the SIP have been followed for the year to 30 September 2020

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, with specific comments relating to the DB assets and the AVCs as relevant. Comments on the AVCs also apply to historic money purchase Transfer-In Accounts. The latest version of the SIP, dated September 2020, is attached as an Appendix and sets out the policies referenced below.

We can confirm that all policies in the SIP have been followed in the year to 30 September 2020.

<table>
<tr><th></th><th>Requirement</th><th>Policy</th><th>In the year to 30 September 2020</th></tr>
<tr><td>1</td><td>Securing compliance with the legal requirements about choosing investments</td><td>The Trustee obtains advice from their investment consultant, who can provide expert advice enabling the Trustee to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustee's opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</td><td>No new investments were implemented over the period.</td></tr>
<tr><td>2</td><td>Kinds of investments to be held</td><td>For the DB investments, the Trustee has established a strategic benchmark for the assets. Assets are invested across equities, a diversified growth fund, corporate bonds and gilts (both fixed interest and index-linked) in order to achieve the stated objectives.

The range of asset classes made available for the AVC investments is: global equities, UK equities, index linked gilts, corporate bonds, and a cash fund.</td><td rowspan="2">For the DB assets, the Trustee did not formally review its investment strategy over the year. However, the Trustee discussed the investments during the year at Trustee meetings in order to ensure its appropriateness and suitability. A formal review will take place following the triennial actuarial valuation.

The current basis of the Trustee's strategy is to divide the DB assets between equities, multi-asset (comprising a diversified growth fund) and bonds (comprising gilts, index linked gilts and corporate bonds). The strategic allocation in place at 30 September 2020 was as follows:

• TN Section:
- Equities – 37.5%
- Multi-asset – 10.0%
- Bonds – 52.5%

• LSF Section:
- Equities – 32.5%
- Multi-asset – 10.0%
- Bonds – 57.5%</td></tr>
<tr><td>3</td><td>The balance between different kinds of investments</td><td>Within the DB investments the Trustee has established a strategic benchmark for the assets. This is a high-level asset distribution for the Scheme's investments.

The Trustee monitors the asset allocation on a regular basis and may rebalance the Scheme's investments if necessary to bring them in line with the strategic benchmark.</td></tr>
</table>

		Within the AVC investments, the funds have been selected to provide a range of options to members.	The Trustee regards the strategic allocation to be appropriate for the Scheme's objectives and liability profile. For the AVC investments, the Trustee monitors the underlying fund performance on a quarterly basis. The AVC investments comprise the following funds: - Global equity - UK equity - Over 15 year gilts - All stocks gilts - Over 5 year index linked gilts - Overseas bonds - A cash/money market fund The Trustee considers that the available AVC investments were suitability diversified across a range of asset classes, geographical regions and stocks.
4	Risks, including the ways in which risks are to be measured and managed	*The Trustee recognises risk from a number of perspectives. Detail on the risks considered and the approach taken to risk management and measurement is set out in section 4 of the SIP.*	As detailed in the risk section in the SIP, the Trustee considers both quantitative and qualitative measures for the risks that the Trustee believes may be financially material to the Scheme. For the DB assets, the Trustee recognises that whilst increasing risk may increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover changes in the Scheme's accrued liabilities especially over the short to medium term. On a quarterly basis the Trustee reviews the Scheme's asset allocation compared with target to assist in the monitoring of risks at a strategic level. To monitor risks relating to the investment manager or funds, the Trustee also reviews the performance of the investment manager on a quarterly basis and may invite the manager to present to the Trustee if there are any concerns on the performance or management team. Monitoring of the AVC investments is also undertaken on a quarterly basis.
5	Expected return on investments	*Within the DB assets, the Scheme's investment strategy has been designed to ensure that the investments generate a level of return required to meet the overall objective.* *The Scheme's underlying investments are largely passive and designed to track a broad market index. The diversified growth fund is expected to outperform a cash based rate of*	The investment performance report is reviewed by the Trustee on a quarterly basis. The investment performance report includes how the investment manager is delivering against their objectives for each fund. Over the 3 year period to 30 September 2020, the DB assets have posted returns as follows: • **TN Section:** 5.5% p.a. • **LSF Section:** 4.8% p.a.

		return by a target margin over a full market cycle. *In selecting the AVC investments, the Trustee has considered the investment profile of the funds and their suitability for the objectives and needs of members.*	All of the passive funds have broadly tracked their respective benchmarks; whilst the diversified growth fund outperformed its target. All of the funds within the AVC assets successfully tracked their benchmarks over the 3 year period to 30 September 2020. No actions were taken by the Trustee during the year in respect of manager appointments.
6	Realisation of investments	*Ad hoc cashflow requirements are taken from the Scheme's assets in a manner consistent with the strategic asset allocation.* *Liquidity risk is managed by investing the majority of assets in investments that are realisable at short notice in most prevailing market conditions.* *The Scheme's investment manager has discretion in the timing and realisations of investments and in considerations relating to the liquidity of those investments.*	The selection, retention and realisation of assets is carried out so as to broadly maintain the Scheme's overall strategic allocation, and consistent with the overall principles set out in the SIP. In the normal course of events, it is expected that cashflows are used to move the asset allocation towards the benchmark allocation. The Trustee received advice from the Investment Consultant in a paper dated September 2020 on cashflow policy for the DB assets, and subsequently made some minor changes to where disinvestments were sourced from to maintain the overall strategic allocation.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*The Trustee considers financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such factors, including environmental, social and governance factors, is delegated to the investment manager.* *The investment manager is expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.*	The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps their policies under regular review with the SIP subject to review at least triennially. The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and ESG-focused) from the investment consultant. The Trustee has not set any investment restrictions on the appointed investment manager in relation to particular products or activities, but may consider this in future.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*Member views and non-financially material issues are not currently explicitly taken into account in the selection, retention and realisation of investments. The Trustee would reflect upon any member views communicated to the Trustee.*	The Trustee did not explicitly consult members or receive any communication from members regarding their views during the year.

9	The exercise of the rights (including voting rights) attaching to the investments	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.*	Further information is set out in section 5 below.
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	*The investment manager is expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.* *Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.*	As the Scheme invests solely in pooled funds, the Trustee requires their investment manager to engage with the investee companies on their behalf. The Trustee intends to ask the manager about their key voting and engagement activities at any future meetings.
11*	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies	*The Trustee's policy in relation to investments to be held is set out in section 15 of the SIP.* *In line with this section, managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.*	The investment manager has delivered the expected return and risk profile for the relevant asset classes consistent with the Trustee's objectives, and performed in line with expectations during the year under review.
12*	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	*The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage.*	
13*	How the method (and time horizon) of the evaluation of the asset	*As well as assessing investment returns over quarterly, annual and triennial periods, the Trustee will consider a range of other factors,*	The Trustee has considered the long term investment performance of the manager as part of the quarterly monitoring, as well as their investment consultant's views of the

	manager's performance and the remuneration for asset management services are in line with the trustees' policies mentioned in sub-paragraph (b) of the legislation.	*with the assistance of their investment consultant, when assessing the investment manager as outlined in Section 15 of the SIP.* *The investment manager is remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive the associated fee.*	investment manager, and was comfortable that the longer term performance and forward looking capabilities remained suitable.
14*	How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*The Trustee has not historically monitored the investment manager's ongoing transaction costs explicitly but measure these implicitly through ongoing performance assessments which are net of these costs. The Trustee seeks explicit reporting on ongoing costs for the appointed investment manager.*	The Trustee has requested information on reporting costs from the investment manager for the year under review.
15*	The duration of the arrangement with the asset manager	*There is typically no set duration for the manager appointment. However, appointments typically can be terminated at short notice.*	No action was taken in relation to investment manager appointments during the year.

* these policies were introduced in the September 2020 revision to the SIP

5. Voting Activity

The Trustee has delegated their voting rights to the investment manager, BlackRock, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund rather than the Trustee, who do not own underlying assets directly). When the investment manager presents to the Trustee, the Trustee or investment consultant may ask the investment manager to highlight key voting activity, and will question the manager's voting decisions if it deems them out of line with the pooled fund's objectives or the objectives/policies of the Scheme. The Trustee does not use the direct services of a proxy voter and over the prior 12 months the Trustee has not actively challenged the manager on voting activity.

BlackRock has confirmed it conducts approximately 3,000 engagements a year on a range of ESG issues likely to impact their client's long-term economic interests. BlackRock meets with executives and board directors, communicates with company advisors and engages with other shareholders where appropriate.

BlackRock is a Tier 1 rated signatory of The Stewardship Code and has been a signatory of the UN Principles of Responsible Investment (UN PRI) since 2008. BlackRock is also a founding member of the Task Force on Climate-related Financial Disclosures (TCFD).

Throughout the year to 30 September 2020, BlackRock has continued to maintain a high rating in respect of the passive equity investments, reflecting their ESG and engagement activity. The rating for the Dynamic Diversified Growth Fund is in line with its peer group median. The bond mandates are either unrated or below the peer group median, however the Trustee notes there is more limited scope for engagement on these investments, particularly on bonds issued by the UK Government.

The investment manager is expected to provide voting summary reporting on at least an annual basis. The manager has been asked to confirm key voting activity in relation to the pooled funds in which the Trustee invests over the 12 month period to 30 September 2020, and have responded as follows:

Blackrock directly engages with companies and does not use a third party to vote on its behalf. Summarised below is the voting activity, provided by BlackRock, conducted in respect of the Scheme's funds for which the underlying assets carry voting rights.

- **Aquila Life 30:70 Currency Hedged Global Equity Fund (DB and AVC investments)**
    - There have been 5,155 votable meetings over the year, of which BlackRock has voted in 4,992. In these meetings, there were a total of 58,618 votable items.
    - BlackRock has participated in the vote for 56,196 of the 58,618 votable items (i.e. about 96% of the votable items). Of these votes participated, BlackRock voted against 7% of the proposals.
- **Dynamic Diversified Growth Fund (DB investments only)**
    - There have been 989 votable meetings over the year, of which BlackRock has voted in 960 of these meetings. In these meetings, there were a total of 12,696 votable items.
    - BlackRock has participated in the vote for 12,308 of the 12,696 votable items (i.e. about 97% of the votable items). Of these votes participated, BlackRock voted against 7% of the proposals.
- **Aquila Life UK Equity Fund Index (AVC investments only)**
    - There have been 1,140 votable meetings over the year, of which BlackRock has voted in 1,109 of these meetings. In these meetings, there were a total of 15,414 votable items.
    - BlackRock has participated in the vote for 14,974 of the 15,414 votable items (i.e. about 97% of the votable items). Of these votes participated, BlackRock voted against 5% of the proposals.

Appendix

Terra Nova Insurance Company Limited Pension & Life Assurance Scheme

Statement of Investment Principles – September 2020 (replaces September 2019)

1. Introduction

The Trustee is responsible for the investment of the assets of the Terra Nova Insurance Company Limited Pension & Life Assurance Scheme (the "Scheme").

This Statement of Investment Principles ("the Statement") has been prepared by the Trustee to comply with the requirements of the Pensions Act 1995 (the "Act"), the Occupational Pension Schemes (Investment) Regulations 2005, subsequent legislation and associated requirements. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

In preparing this Statement, the Trustee has consulted with Markel International (the "Principal Employer"). The Trustee has also obtained and considered advice from Mercer Ltd ("the Investment Consultant"). The Trustee believes the Investment Consultant meets the requirements of Section 35(5) of the Pensions Act 1995 (as amended).

In November 2008 the assets from the Lloyds Superannuation Fund ("LSF") were transferred into the Scheme. Therefore, the Scheme has two key sections, the TN Section and the LSF Section, as well as an AVC Section.

2. Process for Choosing Investments

The Trustee has considered its investment and funding objectives together and in light of the strength of the Principal Employer covenant to ensure that the two are compatible and supportable. The Trustee has then constructed a portfolio of investments consistent with these objectives and which it hopes will deliver the maximum level of return (net of all costs) for the level of risk taken on (taking into account limitations on the overall complexity of arrangements appropriate to the size of assets under management).

The Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout this Statement.

In considering the appropriate investments for the Scheme the Trustee has obtained and considered the written advice of the Investment Consultant whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The objectives set out here, the risks and other factors referenced are those that the Trustee determines to be financially material consideration in relation to the Scheme.

The Trustee is required to invest the Scheme's assets in the best interest of the members, beneficiaries and the Principal Employer and in the case of a potential conflict in the sole interest of the members' and beneficiaries.

Overall investment policy is governed by the following principles:

- *The investment policy should be planned to meet the individual needs of the Scheme.*

- *There should be close management of the risk in the investment policy.*

- *The investment policy should be managed through precise objectives.*

Within this context, the Trustee (in consultation with the Principal Employer) has set the following main objectives with regard to investment policy:

- To make sure that the Trustee can meet the obligations which have been promised to the beneficiaries of the Scheme by the Principal Employer.

- To pay due regard to the Employer's interests on the size and incidence of employers' contribution payments.

- To ensure that the investment policies pay due attention to the liability profile of the Scheme and achieve the desired balance between risk and performance.

- To regularly review the investment manager and monitor performance against benchmarks.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term. However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed, which the Trustee believes may be financially material to the Scheme. The Trustee recognises that whilst increasing risk may increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover changes in the Scheme's accrued liabilities especially over the short to medium term. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk. The Trustee's policy on risk management over the Scheme's anticipated lifetime is set out below.

Key strategic investment risks that impact on Scheme funding are as follows:

- Market Risk (including equities, property and exposure to other growth asset markets) – the risk that asset valuations fluctuate in an uncorrelated way with the value of the liabilities;

- Interest Rate Risk – the risk that changes in the value of the assets do not move in line with changes in the value placed on the Scheme's liabilities in response to changes in interest rates;

- Inflation Risk – similar to interest rate risk but concerning inflation;

- Credit Risk – the risk that one party to a financial instrument will cause a financial loss to the Scheme by failing to discharge an obligation.

- Currency Risk – the risk that foreign currency exposure causes asset valuations to fluctuate in an uncorrelated way with the value of the liabilities which are denominated in Sterling.

- Liquidity Risk – the risk that the Scheme doesn't have sufficient liquid assets to meet payments.

Considerations specific to Environmental, Social and Governance issues are addressed in Section 13.

The Trustee measures risk using asset-liability modelling conducted by Mercer which measures the contribution of different risk factors to overall Value at Risk ("VaR"). The policy taken to manage risk is set out below:

- Market risk is managed via the strategic allocation to the various asset classes which achieves diversification across sectors, issuers and asset class.

- Interest rate and inflation risk is managed through an allocation to bonds which change in value in a similar manner to the Scheme's liabilities in response to changes in long-term interest rates and inflation.

- Credit risk is managed via the strategic allocation and investing in pooled fund(s) with diversified holdings of bonds that are predominantly of investment grade quality.

- Currency risk is managed through the total allocation to overseas markets and consideration of currency hedging.

- Regarding liquidity risk, the Trustee believes that the majority of the Scheme's investments are realisable at short notice in most prevailing market conditions.

The Trustee recognises the following additional risks and take the following steps to manage risk:

- Risks may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the investment policy in place results in an adequately diversified portfolio;

- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active management involves such a risk. Section 8 sets out the policy for mitigating this risk;

- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that, in conjunction with overall asset allocation policy, the investments held by the Scheme and the amount invested in them are suitable. The managers are prevented from investing in asset classes outside of their mandates without the Trustee's prior consent;

- The Trustee receives regular reports from the Scheme's manager(s) and Mercer in its role as Investment Consultant for the Scheme. The Trustee also meets with the Scheme's investment manager(s) periodically. Combined with discussion in regular Trustee meetings this allows the Trustee to check that nothing has occurred that would bring into question the continuing suitability of the current investments.

- The safe custody of the Scheme's assets is delegated to professional custodians either directly or via the use of pooled vehicles.

- Across all of the Scheme's investments, the Trustee is aware of the potential for regulatory and political risks. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.

Overall, the Trustee primarily measures and manages investment risk through the investment strategy (outlined in Section 5) and review the appropriateness of this strategy on a regular basis.

The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the Scheme. The financial strength of the Principal Employer and its perceived commitment to the Scheme is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these significantly deteriorate.

The degree of investment risk the Trustee is willing to take also depends on other circumstances, including the financial health of the Scheme, the Scheme's liability profile and investment time horizon. The Trustee will monitor these with a view to altering the investment objectives, risk tolerance and/or return target and asset mix, should there be a significant change in these factors.

5. Investment Strategy

The primary means of implementing overall investment policy is via the strategic asset allocation. The principles are:

- A strategic asset allocation should be defined which broadly matches the objectives of the Scheme in the long term.

- The Trustee will monitor the position relative to the strategic asset allocation and may from time to time take action to return the assets towards that strategic asset allocation.

- Cashflows shall be withdrawn from the Scheme's assets in a manner consistent with the strategic asset allocation.

The Trustee has agreed, based on expert advice, an investment strategy that is consistent with the Trustee's funding and investment objectives. The split of assets within each asset class (excluding any cash held separately to meet day to day cash flow requirements) is set out in the table below.

TN Section

The following table sets out the strategic asset allocation for the TN Section:

Fund	Strategic asset allocation (%)
Equities	**37.5**
Aquila Life (30:70) Currency Hedged Global Equity Fund	37.5
Benchmark – 30% FTSE All-Share Index, 60% FTSE All-World Developed ex-UK and 10% MSCI Emerging Markets Index	
Bonds	**52.5**
BlackRock Ascent UK Long Corporate Bond Fund	15.0
Benchmark – Markit iBoxx Sterling Non-Gilts (Over 15 Years) Index	
Aquila Life All Stocks UK Gilt Index Fund	25.0
Benchmark – FTSE UK Gilts All Stocks Index	
Aquila Life Overseas Bond Index Fund	5.0
Benchmark – JP Morgan Global (ex-UK) Traded Government Bond Index	
Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	7.5
Benchmark – FTSE Over 5 Years Index-Linked Gilts Index	
Multi Asset	
BlackRock Dynamic Diversified Growth Fund	**10.0**
Benchmark- 3 month LIBOR + 3.0% p.a. (net of fees)	
Total Scheme	**100.0**

LSF Section

The following table sets out the strategic asset allocation for the LSF Section:

Fund	Strategic asset allocation (%)
Equities	**32.5**
Aquila Life (30:70) Currency Hedged Global Equity Fund	32.5
Benchmark – 30% FTSE All-Share Index, 60% FTSE All-World Developed ex-UK and 10% MSCI Emerging Markets Index	
Bonds	**57.5**
Aquila Life All Stocks Corporate Bond Index Fund	35.0
Benchmark – Markit iBoxx Sterling Non-Gilts (All-Stocks) Index	
Aquila Life All Stocks UK Gilt Index Fund	10.0
Benchmark – FTSE UK Gilts All Stocks Index	
Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	12.5
Benchmark – FTSE Over 5 Years Index-Linked Gilts Index	
Multi Asset	**10.0**
BlackRock Dynamic Diversified Growth Fund	10.0
Benchmark- 3 month LIBOR + 3.0% p.a. (net of fees)	
Total Scheme	**100.0**

The Trustee recognises that the actual allocation will deviate from this target due to market movements.

The Trustee will monitor the overall asset allocation on a regular basis. Any significant over and/or underweight in a specific asset will trigger a discussion and potentially rebalancing towards the strategic asset allocation position.

6. Expected Return

The Trustee expects to generate a return, over the long term, at least in line with that of the actuarial assumptions under which the Scheme's funding has been agreed. It is recognised that over the short term performance may deviate significantly from the long term target.

7. Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

In the normal course of events, it is expected that cashflows are used to move the asset allocation towards the benchmark allocation. The Trustee, with advice from the Investment Consultant, reviews the cashflow policy on a regular basis.

The investment of any positive cashflows will be considered on a case-by-case basis.

8. Portfolio Construction

The Trustee has adopted the following principles subject to the overriding constraint that at the total Scheme level the expected level of risk is consistent with that detailed in Sections 3 and 4 and subject to the Trust Deed & Rules:

- There is a role for both **active and passive management**. Passive management involves employing investment managers to deliver a return equal to a chosen benchmark appropriate to the asset class held. Active management involves employing investment managers who aim to outperform a benchmark but with a risk that they will underperform. By employing both the Trustee aims to take advantage of active management where they believe it is likely to lead to outperformance net of fees, while using passive management in other areas or alongside active management to control overall manager risk and to manage overall fee levels.

- Decisions on **segregated vs pooled** investments will be taken based on the particular circumstances, including the need for diversification, available vehicle, investment restrictions contained in pooled funds, the need for and availability of an independent custodian, ease of administration and portability of underlying investments. However, the Trustee anticipates investing primarily on a pooled basis.

- **Specialist mandates** are preferred over generalists because of the potential to access a higher level of expertise. However, the Trustee limits the number of directly appointed managers so as to manage their overall monitoring requirements. Also there should be some flexibility to move between asset classes notwithstanding the appointment of specialists.

- At the total Scheme level investments should be **broadly diversified** to ensure there is not a concentration of exposure to any one market or issuer, to the extent that this is not protected (e.g. by collateral). This restriction does not apply to investment in UK Government bonds.

- The amount invested in **highly concentrated portfolios** will take into account the level of risk this represents taking into account the Scheme's assets overall.

- The Trustee will not invest directly in the **Principal Employer** or associated companies, but acknowledge that indirect investment is possible as a result of the investment policies of the Scheme's pooled investment managers. The Trustee will invest in such a way that indirect exposure will not exceed 5% of total assets.

- No investment is permitted by an appointed investment manager in the securities issued by the relevant **manager's company or any affiliated companies** (other than any such securities held within a pooled fund in which the Trustee invests).

- **Direct borrowing** (such as the use of an overdraft facility) is not permitted except to cover short term liquidity requirements. The use of **borrowing within pooled funds** is reviewed by the Trustee as part of the onboarding process for new investments.

9. Day-to-Day Management of the Assets

The Trustee has delegated the day-to-day management of the assets, including selection, retention and realisation, to an investment manager. The Trustee uses BlackRock Advisors UK Limited ("BlackRock") to passively manage all assets with the exception of the Scheme's Corporate bonds within the TN Section and Diversified Growth Fund investments, both of which are managed by BlackRock on an active basis. The Trustee has taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

The Trustee has determined, based on expert advice, a benchmark mix of asset types and ranges within which each appointed investment manager may operate.

BlackRock is regulated in the UK by the Financial Conduct Authority ("FCA") and has day to day responsibility for the investment of the underlying assets of the pooled funds in which the Scheme's assets are invested. As required by the Financial Services and Markets Act 2000, the Pensions Act 1995 and subsequent legislation, the Trustee has entered into a signed agreement with BlackRock, the terms of which are consistent with the principles contained in this Statement. The agreement sets out the terms on which the assets are managed, including the investment briefs, guidelines and restrictions under which BlackRock works.

The Trustee regularly reviews the continuing suitability of the Scheme's investments, including the appointed managers. They do so via regular reports and periodic presentations from the appointed managers with the assistance of the Scheme's appointed investment advisor. Any adjustment would be done with the aim of ensuring consistency with this Statement.

Section 15 sets out how the Trustee incentivises investment managers, where applicable, to operate in line with the Trustee's objectives.

10. Fees

Investment manager fees are paid based on the market value of assets under management.

The Scheme's Investment Consultant is remunerated on a time and disbursements basis.

11. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the investment of additional voluntary contributions ("AVCs") paid by members. Assets in respect of members' AVCs are invested in the following Aegon investment vehicles:

- Aegon BlakcRock (70/30) Global Equity Fund
- Aegon BlackRock All Stocks Gilt Index Fund

- Aegon BlackRock Cash Fund
- Aegon BlackRock Over 15 Year Gilt Index Fund
- Aegon BlackRock Over 5 Year Index-Linked Gilt Fund
- Aegon BlackRock Overseas Bond Index Fund
- Aegon BlackRock UK Equity Index Fund

With the assistance of the Scheme's consultant, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustee and needs of the members.

The Scheme also holds a small amount of assets in respect of transfers-in and annuities in payment.

12. Custody

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment manager.

The Trustee has appointed the Bank of New York Mellon ("BNY Mellon") to provide custodial services in regards to the custody of the pooled fund units invested with BlackRock.

Within the pooled arrangements, BlackRock are responsible for appointing a custodian.

13. ESG, Stewardship (including Engagement Activities) and Climate Change

The Trustee believes that financially material factors, including environmental, social, and corporate governance (ESG) factors, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the Scheme's investment time horizon and increasingly may require explicit consideration.

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

The Scheme's assets are invested in pooled vehicles and the day-to-day management of the Scheme's assets has been delegated to the investment manager, including the selection, retention and realisation of investments within their mandate. In doing so the investment manager is expected and encouraged to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee engages with the existing investment manager on these issues through (amongst other things) meetings and periodic correspondence and will monitor investment manager engagement activity (such as voting) at least annually. Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.

Notwithstanding the above, the Trustee recognises that in passive mandates the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustee accepts that the primary role of its passive manager is to deliver returns in line with the market and believes this approach is in line with the basis on which the current strategy has been set.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Monitoring of the existing investment manager is undertaken on a regular basis and this makes use of the Investment Consultant's ESG ratings. This is documented at least annually and the Trustee is informed of any changes to ESG ratings usually on a quarterly basis. The Trustee will challenge managers who they believe are taking insufficient account of ESG considerations in implementing their mandates.

The Trustee has not set any investment restrictions on the appointed investment manager in relation to particular products or activities, but may consider this in future.

14. Non-Financial Matters

Members' views on "non-financial matters" (where non-financial matters" includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee would review this policy in response to significant member demand.

15. Investment Manager Arrangements

Aligning Investment Manager Objectives and Incentivisation

Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark.

The Trustee seeks expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation and business management, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

The Trustee invests in pooled investment vehicles and accept that they have little or no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. They will therefore select vehicles that best align with the Trustee's own policy in terms of investment objectives and guidelines (as set out in relevant governing documents) and, once appointed, will review the appointment should there be any material changes in these terms.

The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at short notice.

For each appointment retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve its investment objective. The Trustee makes this assessment taking into account various factors which includes performance to date as well as an assessment of future prospects.

The investment manager is therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages the investment manager to take a suitably long term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.

Performance Assessment & Fees

The Trustee receives reporting on asset class and the investment manager performance on a regular basis, via a combination of formal independent reports and presentations from the investment manager.

Investment returns (and volatility) are measured on an absolute basis and considered relative to one or more suitable benchmarks and targets. Returns are considered net of fees and ongoing transaction costs.

As well as assessing investment returns the Trustee will consider a range of other factors, with the assistance of their Investment Consultant, when assessing the investment manager, which may include:

- Personnel and business change;
- Portfolio characteristics (including risk and compatibility with objectives) and turnover;
- Engagement activity;
- Service standards;
- Operational controls; and

- The Investment Consultant's assessment of ongoing prospects based on their research ratings.

The investment manager is remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive the associated fee. The Trustee will consider any performance related fees on a case by case basis and would also consider requesting fee reductions. The investment manager is not remunerated based on portfolio turnover.

Portfolio Turnover Costs

Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate.

The Trustee has not historically monitored investment manager's ongoing transaction costs explicitly but measure these implicitly through ongoing performance assessments which are net of these costs. The Trustee will seek explicit reporting on ongoing costs for the appointed investment manager.

The Trustee does not monitor regular cashflow costs (but seek to minimise them through ongoing cashflow policy). The Trustee monitors the costs of implementing strategic change via their Investment Consultant.

16. Compliance and review of this Statement

The Trustee will review and monitor compliance with this Statement annually and without delay following any material changes to any aspects of the Scheme, its liabilities, finances and the attitudes to risk of the Trustee and Principal Employer which they judge to have a bearing on the stated Investment Policy. This will take place no less frequently than every three years to coincide with the actuarial valuation. Any such review will be based on expert investment advice.