

BELLWAY P.L.C. 1972 PENSION
SCHEME
STATEMENT OF INVESTMENT
PRINCIPLES

SEPTEMBER 2020

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**Scheme Actuary
Administrator**

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustee of the Bellway p.l.c. 1972 Pension Scheme (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, a trading name of JLT Benefit Solutions Limited, (“JLT”), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee’s investment policy for the Scheme.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee has also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1. TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives. The Trustee has also appointed an Investment Sub Committee ("ISC"). The objectives of the ISC are set out in a separate terms of reference document, but specifically members of the ISC carry out the following tasks and activities:

- Overseeing the trigger setting process and making recommendations to the Trustee where changes to the process are considered appropriate
- Liaising with the Investment Adviser and deciding on the appropriate action to take when a trigger is hit

The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the Investment Manager and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the Investment Manager can operate (taking into consideration any recommendations made by the Investment Sub Committee)
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which Mercer expects to provide advice to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Monitoring the target return on a daily basis, notifying the ISC of changes (in particular trigger hits)
- Determining an appropriate investment structure
- Liaising with JLT Investment Management ("JLT IM") to determine funds and investment managers that are suitable to meet the Trustee' objectives
- Liaising with the ISC and JLT IM on the implementation of trigger based changes to the strategy
- Setting cashflow management (investment and withdrawal) policies (see Appendix 3)

The Trustee may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 3). Mercer may be proactive in advising the Trustee regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustee monitors the performance of the Scheme's investment managers against their benchmarks.

Mercer will also advise the Trustee of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives.

Section 3.3 describes the responsibilities of JLT IM as investment manager to the Scheme.

A fund based charge is made for the services provided by both JLT IM and mercer, as specified within the Investment Management Agreement (“IMA”) and the Implemented Investment Consultancy Services Agreement.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice, and as noted below, any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Scheme.

The Trustee is satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority (“FCA”).

3.3. ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustee is a long-term investor and does not look to change the underlying investment manager arrangements on a frequent basis. The Trustee does however have a long-term journey plan in place to try and achieve full funding on a buyout basis over an appropriate time horizon. To help achieve this, a trigger based de-risking plan has been established. Should de-risking take place, the allocation to underlying holdings will be amended.

The investment funds held by the Trustee are readily realisable, should a change for any reason as set out above be required.

The Trustee, after considering appropriate investment advice, has appointed JLT IM as investment manager to the Scheme.

The key duty of JLT IM is to select investment managers suitable to each mandate within the Trustee’s agreed asset allocation.

Investment managers are appointed by JLT IM based on their capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

JLT IM will only invest in pooled investment vehicles. The Trustee therefore accepts that it cannot specify the risk profile and return targets of the managers, but pooled funds are chosen with the appropriate characteristics to align with the overall investment strategy.

If a manager is significantly downgraded by Mercer’s Manager Research Team, JLT IM will replace that manager with a suitable alternative as soon as is practicable.

The details of investment managers initially selected by JLT IM are set out in Appendix 4, together with the details of each manager’s mandate.

JLT IM is also responsible for appointing a suitable Platform provider, which will provide the infrastructure to support the Scheme’s DB investments and host the underlying investment managers’ funds. The current Platform provider is Mobius Life Limited, whose appointment foregoes the need for a Custodian. Mobius Life Limited is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA.

JLT IM will also manage the asset allocation to ensure it is in line with the allocation defined in the IMA, and its tolerances, which will be dependent on the required rate of return.

The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

JLT IM is authorised and regulated by the FCA.

All of the investment managers that will be selected by JLT IM will be authorised and regulated by the Prudential Regulation Authority (“PRA”), the FCA or both.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. Where possible, discounts have been negotiated by JLT IM with the underlying managers on their standard charges.

None of the underlying managers in which the Scheme’s assets are invested have performance based fees which could encourage the managers to make short term investment decisions to hit their profit targets.

The Trustee therefore considers that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, they will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee accepts that it cannot influence the charging structure of the pooled funds in which the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund’s stated characteristics. The Trustee is therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee’s policies as set out in this SIP.

JLT IM makes a fund based charge for the services it provides. This charge is specified in the contractual agreement between the Trustee and JLT IM.

JLT IM does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of its actions and any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Scheme.

The Trustee believes that this is the most appropriate basis for remunerating managers.

3.4. SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, so far as they relate to the Scheme’s investments, is set out at Appendix 5.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustee has determined its investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, its own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustee has also received written advice from their Investment Adviser.

The basis of the Trustee's strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as equities and Diversified Growth Funds ("DGFs") and Multi Asset Credit ("MAC"), and a "stabilising" portfolio, comprising assets such as UK Gilts, UK index Linked Gilts and liability driven investments ("LDI"). The Trustee regards the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile. The initial allocations are set out in Appendix 1.

The Trustee has established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 2.

The Trustee has also established a trigger based de-risking plan, under which the aim is to achieve full funding on a buyout basis over an appropriate time horizon. Under the plan, Mercer monitors, on a daily basis, the return required to achieve the Trustee funding target by the agreed target date. If the funding level improves ahead of expectations, so that it is possible to move into lower risk assets with a lower target investment return, and still meet the requirements of the Trustee's funding plan, then Mercer will alert the Trustee. The Trustee will then consider whether to implement a change in the Scheme's assets within the overall framework set out in Appendix 2, or whether to move the target date to full funding to an earlier date.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 3.

4.2 INVESTMENT DECISIONS

The Trustee distinguishes between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustee takes all such decisions itself. The Trustee does so after receiving written advice from its investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustee is permitted to invest across a wide range of asset classes.

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is as permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 4.

The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustee has therefore decided to invest in Diversified Growth Funds (DGFs), which are actively managed multi-asset funds. The managers of the DGFs invest in a wide range of assets and investment contracts in order to implement their market views.

Similarly, the Trustee has invested in a pooled Multi Asset Credit (“MAC”) / Absolute Return Bond (“ARB”) mandate, where the manager selects and manages allocations across a diversified spectrum of bond assets.

The Trustee notes that the actuarial value of the Scheme’s future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations.

The Trustee has decided to invest in Liability Driven Investment (“LDI”) funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Scheme’s funding position. This is referred to as hedging.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustee considers many risks which it anticipates could have the ability to impact the financial performance of the Scheme’s investments over the Scheme’s expected life time. Such risks are set out in Section 5 of this statement.

The Trustee recognises that environmental, social and governance (ESG) factors, such as climate change, can influence the investment risk and return outcomes of the Scheme’s portfolio. Given the Trustee primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due, it believes ESG factors should be taken in to account within the investment process to limit the negative impact on performance.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance as omitting such risks in the investment analysis could underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

In setting the investment de-risking framework for the Scheme, the Trustee has prioritised funds which provide leveraged protection against movements in the Scheme’s liability value and also funds which provide actively

managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be paramount.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustee intends to review and understand the ESG policies of the managers in which they invest and consider whether further action is required.

The Trustee also intends to build an ongoing review of ESG considerations into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

The Trustee is therefore satisfied that it has appropriate plans in place to make sure that ESG factors are appropriately reflected in the overall investment approach.

4.5 NON-FINANCIAL MATTERS

The Trustee has determined that the financial interests of the Scheme members are their first priority when choosing investments.

The Trustee has decided not to consider non-financial considerations, such as ethical views, or take members' preferences into account when setting the investment strategy.

4.6 STEWARDSHIP

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, it would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

The Trustee does not currently envisage the need to engage with other stakeholders on their engagement activities other than the Sponsoring Employer, who reviews this statement and is consulted on when investment decisions are made.

5 RISK

The Trustee is aware, and seeks to take account of a number of risks in relation to the Scheme's investments, including the following:

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk, by monitoring the development of the funding position on a regular basis and by putting in place a trigger based de-risking plan.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available to the Trustee on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustee by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

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 Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

Market Risk

- This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- This risk is managed by investing in DGFs and MAC / ARB funds. Within these funds the management of currency risk related to overseas investments is delegated to the underlying investment managers. However, the funds have a Sterling benchmark and by investing in a diversified investment portfolio, the impact of currency risk is mitigated.
- At outset, the Scheme has a 30% allocation to equities, and the Trustee is comfortable that the level of currency risk associated with this allocation is appropriate for the Scheme.

Interest/ inflation rate risk

- This is the risk that an investment's value will change due to a change in the level of interest/ expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustee recognises that the Scheme's liabilities are exposed to a significant level of interest rate and inflation risk movement and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest and inflation rate risk. The Trustee has invested in LDI Funds to manage this risk.

Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and have therefore invested the majority of the Scheme's return seeking assets in DGFs in order to achieve a diversified exposure to different investment markets and manage this risk.

ESG risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets;
- The Trustee intends to manage this risk by developing an understanding of the ESG policies of its managers, using this to formulate views as to the appropriateness of such policies and taking action if required.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.0. INVESTMENT ADVISER

The Trustee regularly assesses and reviews the performance of its adviser in a qualitative way.

6.1. INVESTMENT MANAGERS

The Trustee receives quarterly monitoring reports on the performance of the underlying investment managers from Mercer, which present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. They also provide returns of market indices so that these can be used to help inform the assessment of the underlying managers' performance.

The reporting reviews the performance of the Scheme's assets in aggregate against the Scheme's strategic benchmark.

JLT IM, as Investment Manager has the role of replacing the underlying investment managers where appropriate. It takes a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will also be made to the underlying managers if there is a strategic change to the overall strategy and therefore the Scheme no longer requires exposure to that asset class or manager.

6.2 PORTFOLIO TURNOVER COSTS

The Trustee does not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring reports which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for the Scheme.

The Trustee is working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested and will include further information about this when next updating the SIP.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Scheme provided a facility for members to pay AVCs to enhance their benefits at retirement.

Members are offered funds in which to invest their AVCs with Scottish Widows.

8 CODE OF BEST PRACTICE

The Trustee is aware the Pensions Regulator guidance 'Investment Guidance for Defined Benefit Pension Schemes, released in March 2017.

The Trustee has received training in relation this guidance and is satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

The investment adviser attends each Trustee meeting which enables developments to be monitored, both in relation to the Scheme's circumstances and in relation to evolving guidance, and enables the Scheme's investment approach to be revised if considered appropriate.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on 11 September 2020.

Approved on behalf of the Trustee

Date	11 September 2020
Full Name	Hugh Creasy, for and on behalf of Capital Cranfield Pension Trustees Ltd
Position	Trustee

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's initial strategic asset allocation benchmark (targeting a return of Gilts + 3% p.a.) is set out below.

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	50%	
Emerging Market Equities	5%	+/- 2.5%
Diversified Growth	45%	+/- 10%
Stabilising Assets	50%	
Multi-Asset Credit	15%	+/-5%
LDI	10%	+/- 10%
Equity Linked LDI	25%	+/-10%
Total	100%	

The asset allocation will be monitored by JLT IM so as to maintain it within the guideline ranges.

A trigger based de-risking framework is in place, details of which are set out in Appendix 2.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 3.

Appendix 4 provides information about the funds in which the assets are invested.

APPENDIX 2: ASSET ALLOCATION FRAMEWORK

The Scheme's strategic asset allocation benchmark for each given required investment return used within the trigger based de-risking plan is set out below.

Required Return	Gilts + 1.5% p.a.	Gilts + 2.0% p.a.	Gilts + 2.5% p.a.	Gilts + 3.0% p.a.	Gilts + 3.5% p.a.
Growth Assets					
Global Equities	-	-	-	5%	5%
Diversified Growth	25%	25%	35%	45%	55%
Stabilising / Matching Assets					
Multi-Asset Credit	20%	20%	15%	15%	10%
LDI – Real	12.50%	7.50%	5%	7.50%	-
LDI – Nominal	5%	2.50%	2.50%	2.50%	-
Equity Linked LDI - Real	5%	10%	15%	15%	20%
Equity Linked LDI - Nominal	2.50%	7.50%	10%	10%	10%
Long UK Gilts	17.50%	15%	10%	-	-
Long UK Index Linked Gilts	12.50%	12.50%	7.50%	-	-

APPENDIX 3: CASHFLOW AND REBALANCING POLICY

Rebalancing Policy

The asset allocation will be monitored by the Investment Manager and a suitable procedure has been put in place for rebalancing.

Details of this procedure are specified in the Investment Management Agreement (IMA) with JLT IM.

Any change to the Central Allocation or guideline range will require a signed Addendum to the IMA.

Cashflow Policy

The Trustee has put in place a suitable procedure for managing the Scheme's cashflows.

Again, details of this procedure are specified in the IMA with JLT IM.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

LDI Recapitalisation

The Trustee notes that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds. The Trustee has put in place a policy regarding this recapitalisation procedure.

Again, this policy is set out in the IMA with JLT IM.

APPENDIX 4: INVESTMENT MANAGER INFORMATION

The Scheme invests with JLT IM, whose key responsibility it to appoint suitable investment managers to each of the mandates within the Trustee's agreed investment strategy as set out in Appendix 1.

The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Equities				
JPM Emerging Markets Opportunities	MSCI Emerging Markets Index	To provide long-term capital growth by investing primarily in an aggressively managed portfolio of emerging market companies	Daily	(b) / 2
Investec Emerging Market Equity	MSCI Emerging Markets Index	To outperform the MSCI Emerging Markets Index NDR by 2 - 3% per annum (gross of fees) over a rolling three year period.	Daily	(b) / 2
Diversified Growth				
Baillie Gifford Diversified Growth	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. net of fees	Daily	(b) / 2
Threadneedle Multi Asset	UK Base Rate	To outperform the benchmark by 3.5% p.a. net of fees.	Daily	(b) / 2
Pictet Multi Asset	3 Month LIBOR	To outperform the benchmark by 4% p.a. net of fees.	Daily	(b) / 2
Nordea Diversified Return	3 Month LIBOR	To outperform the benchmark by 4.0% p.a. gross of fees.	Daily	(b) / 2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Liability Driven Investments				
BMO Real Dynamic LDI	The liability profile of a typical UK DB pension scheme	To provide hedging by offering inflation and interest rate protection which replicates the liability profile of a typical UK DB pension scheme	Daily	(b) / 2
BMO Nominal Dynamic LDI	The liability profile of a typical UK DB pension scheme	To provide hedging by offering interest rate protection which replicates the liability profile of a typical UK DB pension scheme	Daily	(b) / 2
BMO Equity Linked Real Dynamic LDI	The liability profile of a typical UK DB pension scheme	To provide a total return by providing exposure to Global Equities via the Synthetic Equity Portfolio and hedge against changes in interest rates and inflation via the Liability Portfolio.	Daily	(b) / 2
BMO Equity Linked Nominal Dynamic LDI	The liability profile of a typical UK DB pension scheme	To provide a total return by providing exposure to Global Equities via the Synthetic Equity Portfolio and hedge against changes in interest rates via the Liability Portfolio.	Daily	(b) / 2
Multi Asset Credit/Absolute Return Bonds				
Stone Harbour Multi Asset Credit	Merrill Lynch UK Non-Gilt All Stocks Index	The Fund aims to be above median in the sector over rolling 1 year periods, and top quartile over rolling 3 year periods.	Daily	(b) / 2
Investec Global Global Total Return Credit	LIBOR	Target performance in excess of 3 month GBP LIBOR + 4%p.a. over a full credit cycle (gross of fees)	Daily	(b) / 2

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited.

Mercer will monitor the investment managers. If one of the managers is downgraded by JLT's Manager Research Team then that manager will be replaced by JLT IM to a suitable alternative manager as soon as is practicable. For avoidance of doubt, this Statement will not be updated in response to a change of one of the underlying investment managers.

APPENDIX 5: RESPONSIBILITIES OF PARTIES

TRUSTEE

The Trustee's responsibilities (with input and recommendations from the ISC as appropriate) include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s), and the underlying investment managers, by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustee in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Informing the Trustee of any significant changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when the Investment Adviser is made aware of them
- Advising the Trustee, at its request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the Investment Manager's organisation, or that of underlying investment managers, could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians
- Monitoring the target investment return based de-risking triggers and liaising with the ISC to implement changes within the agreed de-risking parameters as appropriate

INVESTMENT MANAGERS

As noted in this SIP, JLT IM has been appointed as Investment Manager and will select underlying investment managers on behalf of the Trustee.

JLT IM's responsibilities include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments

- Managing the Scheme's assets in accordance with the mandate set out in the IMA
- Replacing a manager that is significantly downgraded by Mercer's Manager Research Team with a suitable alternative
- Appointing a suitable Platform provider

The responsibilities of the underlying investment managers include:

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

Bellway appoints JLT administration for certain activities, including:

- Calculating all benefit quotations and claims, and requesting the client to make payments to members
- Maintaining the administration records for all members, including the use of monthly mortality screening of pensioners only
- Providing agreed reporting to the client, including quarterly administration reports
- Making the necessary statutory annual submissions to HMRC i.e. completion of the Event Report and Scheme Return

Bellway also perform certain administration functions in house, including the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustee's instructions.