CONTINENTAL GROUP PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Continental Group Pension and Life Assurance 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 Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited (“Mercer”), 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 Trustees’ investment policy for the Scheme. The Trustees 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 Trustees 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 Trustees’ 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.

The Trustees have 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 by the Scheme Actuary.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

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

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with both the Investment Adviser and the Sponsoring Employer
- The appointment and review of the Investment Manager and Investment Adviser
- The assessment and review of the performance of each investment manager
- 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 Trustees have appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware.

Mercer is remunerated on a project-by-project basis with a fee being agreed in advance of the project commencing. Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustees are 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 Trustees, after considering appropriate investment advice, have invested the assets of the Scheme in two buy-in policies with insurers Pension Insurance Corporation ("PIC") and Aviva plc ("Aviva"). The buy-in policies cover all members of the Scheme and, under the terms of the contacts, PIC and Aviva pay the Scheme the insured benefit payments each month which cover the benefit payments made by the Scheme to members.

The Trustees understand they have no ability to determine or influence the assets in which PIC and Aviva invest.

PIC and Aviva are authorised and regulated by the FCA and Prudential Regulatory Authority ("PRA").

PIC and Aviva do not receive ongoing remuneration from the Scheme; instead the premiums paid for the buy-in policy covers both insurers' expected fees. The Trustees are satisfied that this the most appropriate basis for remunerating the insurers and is consistent with the Trustees policies as set out in this SIP.

3.4 SCHEME ACTUARY'S DUTIES AND RESPONSIBILITIES

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

3.5 ADMINISTRATOR'S DUTIES AND RESPONSIBILITIES

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile, their 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 Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to broadly hedge 100% of the risks within the Scheme, on a solvency basis, by investing in a buy-in policy covering all Scheme members.

4.2 APPROPRIATENESS OF HOLDING

The Scheme is classified under the regulations as a Wholly Insured Scheme as a result of the buy-in policies held.

A Wholly Insured Scheme is defined as being a trust scheme, other than a stakeholder pension scheme within the meaning of section 1 of the Welfare Reform and Pensions Act 1999 F1 (meaning of "stakeholder pension scheme"), which has no investments other than specified qualifying insurance policies.

The Trustees consider it appropriate for the Scheme to be a Wholly Insured Scheme because:

- The buy-in policies insure the benefits of all Scheme members
- Having theses contracts and investment holdings reduces the governance burden for the Trustees

5 RISK

The Trustees are aware, and seek to take account of the risks in relation to the Scheme's investments.

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk of the Scheme's Insurance Providers

- The principal risk facing the Trustee and Scheme members is that the insurance providers (PIC and Aviva) may default on their obligations under their respective annuity policies.
- Before entering into these contracts, the Trustees obtained and carefully considered professional advice regarding the financial strength of each insurer, and concluded that the risk was acceptably low.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way as appropriate and put in place specific objectives before requesting investment advice.

6.2 INVESTMENT MANAGERS

PIC and Aviva take full responsibility of the investment decisions, including which investment managers in which to invest.

7 CODE OF BEST PRACTICE

As a wholly insured scheme, the Trustees have not considered the Pension Regulator's latest Investment Guidance for Defined Benefit Pension Schemes' paper. If circumstances change and the Trustees decide being classified as wholly insured is no longer appropriate then they will consider the guidance and use this to determine an appropriate investment strategy.

8 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 auditors and the Scheme Actuary. The Statement is also made available online.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 29 September 2020.