THE R&A GROUP SERVICES LIMITED PENSION SCHEME

Statement of Investment Principles

1. INTRODUCTION

The Trustees of The R&A Group Services Limited Pension Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and,
- Subsequent legislation.

As required under the Act the Trustees have consulted a suitably qualified person in obtaining written advice from Mercer Limited ("Mercer"). The Trustees in preparing this Statement have also consulted the Sponsoring Employer, in particular on the Trustees' objectives.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment management and described in Section 3.

The investment objectives and strategies for the Scheme are set out in Section 2.

2. INVESTMENT OBJECTIVES AND RISK

2.1 Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have adopted the following objectives:

- The Trustees' investment policy is guided by an overall objective of achieving, over the long term, a return on the investments which is consistent with the long term assumptions made by the Actuary in determining the funding of the Scheme.
- Over the shorter term the objective is to achieve a favourable return against the benchmark detailed in Section 3.1. The Trustees believe that the investment strategy adopted for achieving this objective will also be appropriate for achieving a further objective of seeking to avoid the need for additional contributions arising from a mismatch between the assets and liabilities.

2.2 Risk

There are various risks to which any pension scheme is exposed. In particular the Trustees have considered the following:

- The risk of deterioration in the Scheme's funding level.
- The risk that the day to day management of the assets will not achieve the rate of return expected by the Trustees.

The Trustees consider the total risk of the investment policy in terms of the potential impact on the level and potential volatility in the funding level and, by association, additional (or 'deficit') contributions. The Trustees have explicitly considered the interest rate and inflation sensitivity of the assets and liabilities and have implemented a Liability Driven Investments mandate with Insight

Investments to reduce the mismatch between assets and liabilities in this area. The investment policy is based on the Trustees' and the Sponsoring Employer's view and tolerances with regard to these risks.

The Trustees believe that the investment strategy outlined in this Statement is appropriate for meeting the risks outlined above. The Trustees also monitor the Scheme's investments on a six monthly basis.

2.3 Investment Strategy

Following a review of investment strategy, the Trustees have determined, based on expert advice from Mercer, a benchmark mix of asset types and ranges within which the investment managers may operate; these guidelines are set out in Section 3.

The Trustees review the appropriateness of the investment strategy on a regular basis. Such analysis enables the Trustees to assess the appropriate level of risk given the objectives and risks identified above, which are also reviewed on a regular basis and in response to any material changes to the circumstances of the Scheme and the Sponsoring Employer.

The Trustees target an annual return on the Scheme's assets in line with the Actuary's assumptions and believe that the resulting asset mix is currently appropriate for controlling the risks identified in Section 2.2.

3. DAY TO DAY MANAGEMENT OF THE ASSETS

3.1 Main Assets

The Trustees invest the main assets of the Scheme in pooled funds operated by five investment managers. The equity assets are split between Baillie Gifford, Veritas and Dodge & Cox. The bond assets are invested with Insight Investment Management, and the Diversified Growth Fund ("DGF") assets are held with Baillie Gifford. The long-lease property mandate is held with M&G.

The Trustees are satisfied that the spread of assets by type and the investment manager's policy on investing in individual securities within each type provides adequate diversification of investments. The overall investment strategy and structure is shown in the table below:

Manager	Asset Class	Benchmark %	Most Suitable Benchmark	Outperformance Target (% p.a.)
Baillie Gifford	Global Equities (Global Alpha Fund)	11.7	MSCI AC World Index	+2.0 - 3.0% p.a. (gross of fees)
Veritas	Global Equities	11.7	MSCI World Index	CPI +6.0%-10.0% p.a. (gross of fees)
Dodge & Cox	Global Equities	11.7	MSCI World Value Index [a]	+2.0%-3.0% p.a. (gross of fees) [a]
Total Equities		**35.0** [b]		
Baillie Gifford	Diversified Growth Fund	12.5	UK Base Rate	+4.15% p.a. (gross of fees)
Total DGF		**12.5**		
M&G	Secured Property Income Fund	10.0	RPI [c]	+4% p.a. (gross of fees) [c]
Total Long-Lease Property		**10.0**		
Insight	Long Corporate Bonds	4.0	iBoxx Sterling Non-Gilts Over 10 Years Index	+1.0% p.a. (gross of fees)
Insight	Buy and Maintain	8.0	Markit iBoxx GBP	n/a

	Bond Fund		Collateralized and Corporates excluding Tier 1 and Upper Tier 2 Index (d)	
Insight	Liability Driven Investments	30.5	Bespoke benchmark	n/a
Total Bonds		**42.5**		
Total		**100**		

(a) Dodge & Cox do not stipulate an explicit benchmark or return targets for the fund, but have stated that they would expect to outperform the MSCI World Value Index by 2-3% p.a. over a full market cycle.

(b) A split of 11 and two thirds percentage over the three equity managers. Totals may not sum due to rounding.

(c) The Fund does not have an explicit target, however the anticipated mid to long term total return is RPI +4% p.a.

(d) Given structural differences in composition between the Index and the Fund (including the strategic nature of holdings in the Fund in comparison with the likely on-going changes to the composition of the Index), the Fund is likely to experience prolonged periods of markedly different performance from that of the Index.

3.2 Cash Flow and Rebalancing Policy

All new contributions are to be invested to bring each manager's asset allocation in line with its target, as outlined in Section 3.1 above. This will be monitored and reviewed if necessary in order to achieve the investment strategy above.

Mercer produces regular performance updates for the Trustees which monitor the current split of assets relative to the overall benchmark in Section 3.1 above. The Trustees will assess the position and, if it is felt necessary, will rebalance the assets accordingly.

3.3 Fee Structure

The following fees apply to the Scheme:

Manager	Asset Class	Fee (% p.a.)
Veritas	Equities	0.75
Dodge & Cox	Equities	0.60
Baillie Gifford	Equities	0.65 (a)
	DGF	0.65
M&G	Long-Lease Property	0.50 (b)
Insight	Corporate Bonds – Buy & Maintain	0.15
	Long Corporate Bonds	0.30
	Liability Driven Investments (fully funded index-linked gilts)	0.05

(a) 0.55% p.a until 30 November 2013, under a preferential fee structure agreed with Baillie Gifford on entering the Global Alpha Pension Fund.

(b) The standard management fee of 50 bps of NAV per annum would apply to the gross asset value of the Fund. In addition, there are further fees paid directly by the Fund at the sub-trust level (administrator, valuer and custodian fees) which are typically c. 8bps per annum.

3.4 Additional Assets

Assets in respect of members' additional voluntary contributions are held in a fully insured contract with Scottish Widows.

3.5 Monitoring Performance

Mercer prepares regular investment monitoring reports for the Trustees which provide an overview of the performance of the managers, the underlying funds and the Scheme as a whole. The Trustees are also kept up to date with developments at each of the managers which may impact the Scheme's investments.

The Trustees also meet the investment managers from time to time.

3.6 Realisation of Investments

In general, the Scheme's underlying investment managers have discretion in the timing of the realisation of investments and consideration of the liquidity of these investments. The Trustees believe that the assets of the Scheme are capable of being realised if circumstances so require.

The Trustees are aware of the investment in the M&G Secured Income Property Fund not being as liquid as the other investments. Property is a relatively illiquid asset class in comparison to others. The Fund has a 1-month notice period for exit; although we note that selling during periods of market volatility may result in depressed pricing.

4. SOCIALLY RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

4.1 ESG, Stewardship, and Climate Change

The Trustees believe that 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 Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. Where applicable the Trustees expect the Scheme's investment managers to exercise all voting rights attaching to shares or securities and take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The managers are authorised to exercise discretion to vote as they think, but in doing so reflect the best interests of the Scheme.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future. The Trustees do not explicitly consult members when making investment decisions but regularly update members via newsletters and by making a copy of the Statement of Investment Principles available on request.

4.2 Engagement with the Investment Managers

The policy in relation to the Trustees' arrangements with their investment managers are set out below.

A <u>Incentivising the asset managers to align its investment strategy and decisions with the Trustee policies:</u>

In line with section 3 of the SIP, investment managers are appointed 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 Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective of a particular fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

The Scheme's investment mandates with Veritas, Dodge & Cox, Baillie Gifford, M&G and Insight, are reviewed following periods of sustained underperformance from their respective targets. The Trustees will review the appropriateness of using active and passive managed funds (on an asset class basis) on an ad-hoc basis.

As the Trustees invest the bulk of the Scheme's assets in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

B Incentivising the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of a holding company, and to engage with holding companies in order to improve their performance in the medium to long-term:

The Trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement.

The Trustees meet with the investment manager at Trustee meetings as required and may challenge decisions made including voting history (in respect of equities) and engagement activity.

The Trustees delegate all voting and engagement activities to the investment manager. When required the Trustees will question managers' voting decisions if they deem them out of line with the investment fund's objectives or the objectives / policies of the scheme.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

C Aligning the evaluation of the asset manager's performance and the remuneration for asset management services with the Trustees' policies:

The Trustees receive investment manager performance reports on a 6 monthly basis, which presents performance information over six months, one year, three year and since inception periods. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated tracking error (over the relevant time period).

If the manager is not meeting their investment objectives or the mandate has changed, the Trustees may review the mandate including the annual management charge levied by the manager.

D Monitoring portfolio turnover costs incurred by the asset manager:

The Trustees receive MiFID II reporting from their investment managers but do not analyse the information.

The Trustees do not currently monitor portfolio turnover costs but may look to do so in the future.

E The duration of the arrangement with the asset manager:

The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment has been reviewed and the trustees have decided to terminate.

5. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this Statement regularly.

6. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Employer which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Sponsoring Employer.

Date of Amendments

Original Statement :	July 2000
First Amendment:	June 2003
Second Amendment:	December 2003
Third Amendment:	July 2005
Fourth Amendment:	December 2006
Fifth Amendment:	November 2008
Sixth Amendment:	July 2009
Seventh Amendment	June 2010
Eighth Amendment	November 2010
Ninth Amendment	July 2013
Tenth Amendment	October 2013
Eleventh Amendment	July 2015
Twelfth Amendment	June 2016
Thirteenth Amendment	November 2017
Fourteenth Amendment	November 2018
Fifteenth Amendment	September 2019
Sixteenth Amendment	August 2020