

1. Background

This Investment Statement sets down the principles governing decisions about investments for the F&C Asset Management Pension Plan (the "Plan") to meet the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 (as amended by subsequent Regulations) and statements to reflect the Pension Regulator's guidance for defined benefit pension schemes (March 2017). Before preparing it the Trustees have consulted BMO Asset Management (Holdings) plc and obtained and considered written professional advice from LCP, the Plan's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Plan, and the principles contained in this SIP. The Trustees will review this Statement regularly (see Section 9).

This document, combined with the appendices will serve as the Statement of Investment Principles for the merged F&C Asset Management Pension Plan until further notice. This document has been updated in March 2020, and replaces the SIP dated August 2019. The Trustees' investment responsibilities are governed by the Plan's Trust Deed: a copy of the relevant clause, of which this Statement takes full regard, is available on request from the Trustees.

2. Investment Objectives

Our main objectives are:

- to meet our obligations to the beneficiaries of the Plan - our principal objective.
- to pay due regard to BMO Asset Management (Holdings) plc's interests on the size and incidence of employers' contribution payments.
- to maintain a high probability that the long term investment returns in excess of the growth in liabilities are no less favourable than that assumed in the Trustees' funding programme for the Plan.

As part of the review of the investment strategy in December 2018, the following objectives were agreed upon:

- To ensure that the Plan is sustainable in the longer term, by targeting 100% funding on a "long term objective" basis by 2025 to 2030.

- The Trustees define the "long term objective" basis as gilts + 0.25% pa.
- To ensure risk taken to achieve this objective is diversified and controlled as far as possible.

The separate 'Investment Policy Implementation Document' sets out details of the respective key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

3. Investment Strategy

The Trustees, with the help of their advisers and in consultation with the employer, reviewed the investment strategy in December 2018, taking into account the objectives described in Section 2 above.

The Plan's **asset allocation strategy as at the date of this SIP** is as detailed in the table below. The Trustees have agreed to tolerance ranges of +/- 2.5% around its central strategic allocations to its Matching and Growth portfolios. If the Plan's allocations move outside of these tolerance ranges, then the Trustees will look to rebalance the Plan.

Asset Class	allocation %	Tolerance range %
Matching Portfolio	85	82.5 – 87.5
Growth Portfolio	15	12.5 – 17.5
Total	100	100

Matching Portfolio

The aim of the Matching Portfolio is to broadly immunise the Plan against the risks of movement in inflation and interest rates. The Matching Portfolio is managed on a daily basis in order to ensure that it follows the benchmark and has enough funds to protect against the risks.

The Matching Portfolio consists of an investment in a bespoke LDI portfolio fund managed by BMO Global Asset Management. Through the bespoke LDI fund, the Plan invests in a blend of hedging instruments selected to provide the required hedging characteristics whilst favouring the instruments that offer higher yield. The fund can hold a number of hedging instruments such as interest rate and inflation swaps, physical inflation-linked and nominal gilts, synthetic gilts, cash and money market instruments and is benchmarked against the Plan's liability profile.

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From time to time this portfolio may request additional cash from the Plan, or release the cash into the Plan in accordance with the market movements in interest rates and inflation. The collateral is managed through investment in BMO Sterling Liquidity Fund which targets a return in line with GBP 7 day LIBID rate.

In addition, as part of the Matching Portfolio, the Plan invests in the BMO Global Low Duration Credit Fund. The fund does not have a formal benchmark but the objective of the fund is to deliver a total return commensurate with investment in low duration non-government bonds and other similar assets. There is no official target return for this fund but LCP will reference the fund's performance against 3 month SONIA + 1.25% pa over the course of the credit cycle.

In December 2015, the Plan entered into a named-life longevity (hedge) with Zurich Assurance Limited to protect against the longevity risks associated with its pensioners liabilities. No initial consideration was paid but the Plan will make a series of fixed payments over the expected lifetimes of the named members and in return will receive a series of floating payments over the actual lifetimes of those members. Fees for the longevity hedge are embedded in the fixed leg of the longevity hedge agreed with Zurich at the contract inception, and are a fixed percentage of each fixed leg payment. The effect of the longevity hedge is to fix the Trustee's exposure to longevity for the pensioners covered and transfers their longevity risk to Zurich Assurance Limited. This eliminates the risk of additional contributions being required in respect of the relevant members living longer than expected.

Growth Portfolio

The Growth Portfolio includes investments through private equity partnerships and private credit funds (which are also structured as private equity style partnerships).

Management of cash calls and drawdowns from the Matching Portfolio

Transfer of assets between the portfolios will be made in accordance with gearing controls built into the Matching Portfolio, i.e. should gearing levels rise to levels that require additional funds to be deposited in the Matching Portfolio, then funds will be divested first from the funded portfolio i.e. cash, and the short-dated buy and maintain credit portfolio to meet this requirement. If the gearing levels fall to the extent that cash is paid out of the Matching Portfolio, then these funds will be invested after taking into account the Plan's funding position and market conditions at that time.

Rebalancing between Matching Portfolio and Growth Portfolio

The Trustees will look to rebalance the Matching and Growth portfolios when they are more than 2.5% overweight or 2.5% underweight. The allocation will be monitored at each quarter end. This is with the exception of the requirement for drawdowns and cash calls in order to maintain the gearing levels in the Matching Portfolio.

Re-setting of Matching Portfolio

The hedge profile of the Plan's liabilities will be reviewed on at least a biannual basis against the benchmark of the bespoke LDI fund to account for changes due to market movements. On a triennial basis, the hedge profile of the liabilities will be updated following receipt of new valuation cash flows.

Other Assets

Assets in respect of member's Additional Voluntary Contributions (AVCs) are invested in a wide variety of Funds on behalf of the members by the Investment Manager. Individual members have a choice as to which fund they invest in.

4. Considerations in setting the investment arrangements

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers, their objectives and investment guidelines are set out in Investment Policy Implementation Document. The IPID should be read in conjunction with the SIP.

The Trustees have signed agreements with the DB investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Plan's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees have limited influence over the investment practices of the managers accessed via pooled funds, but they encourage these managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. The Trustee's policy with regard to risk measurement and management

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The key risks considered by the Trustees, and how they manage these risks, are summarised below:

- The risk that a mismatch between the Fund's assets and its liabilities, results in a fall in the funding level of the Plan ("mismatch risk");
- This risk is measured by assessing, on a regular basis, the asset allocation of the Plan relative to its liabilities, as described in section 3. It is managed by putting in place an appropriate asset allocation benchmark to reduce the volatility of the assets relative to the liabilities to an acceptable level by investing a portion of the Fund in assets with a similar duration and inflation sensitivity as the liabilities. The remainder of the Fund is invested in assets which have a high likelihood of delivering sufficient returns in excess of the growth in the liabilities to meet the funding objectives over the longer term.
- The risks that may arise from the lack of diversification of investments (lack of diversification risk").
- This risk is managed by investing in a variety of asset classes, such as bonds across different geographies, as well as "alternatives", such as the private equity and private credit funds. The Trustees believe that the asset allocation policy in place provides an adequately diversified distribution of assets.
- We can also see there is a risk in holding assets that cannot easily be sold should the need arise ("cashflow/liquidity risk").
 - The Trustees manage this risk by investing principally in readily marketable securities, and in units of the investment manager's pooled funds, which are readily realisable. Furthermore, the policy documentation with the investment manager includes a number of guidelines which, amongst other things, are designed to ensure only suitable investments are held by the Fund. The terms of the policy documentation also do not allow the investment manager to do anything that could be considered to be speculative or 'trading' by the Financial Services and Tax authorities.
 - The Trustees also recognise that an additional return can be achieved by investing a portion of the Plan's assets in illiquid investments. The Trustees have allocated 10% of assets to private credit to take advantage of this premium, and 5% to private equity.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that

suitable liability and compensation clauses are included in all contracts for professional services received.

The Trustees consider these risks as part of each investment strategy review (normally triennially). Some of these risks may be modelled explicitly during the course of such reviews. The Trustees' policy is to monitor these risks quarterly where possible.

7. Social, Environmental or Ethical Investment and Corporate Governance

With regard to the selection, retention and realisation of investments, the Trustees have agreed that their Fund managers should take account of social, ethical and environmental considerations to the extent they believe that these factors impact on financial performance. For example, the Plan's investments may be affected by risks and opportunities arising from the physical impacts of climate change and from efforts to mitigate climate change by reducing greenhouse gas emissions.

The Trustees believe that:

- Environmental, social and governance (ESG) factors are likely to be one area of market inefficiency.
- Managers may be able to improve risk-adjusted returns by taking account of ESG factors.
- Long-term environmental, social and economic sustainability is one factor that trustees will consider when making investment decisions.

In terms of the Trustees policy on financially material considerations:

- Trustees will consider ESG factors when appointing and reviewing managers.
- Managers are expected to take account of financially material ESG considerations (including climate change and other ESG considerations) as appropriate.
- The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but encourage managers to improve their practices where appropriate.

In terms of investment manager responsibilities, the Trustees believe that investment managers should:

- Take account of financially material ESG considerations (including climate change and other ESG considerations) as appropriate.

In terms of the Trustees policy towards risk, the Trustees believe that:

- Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially material.

The Trustees also consider corporate governance to be an important element in seeking to maximise shareholder value. They therefore agree with the manager's written policy and operational procedures based on the Combined Code of the London Stock Exchange. It is the Trustees' policy to use votes constructively and, where practicable, to vote shares on a worldwide basis, utilising their managers' Responsible Engagement Overlay (REO).

8. Investment of Cashflows

Investments and disinvestments are used primarily as an opportunity to rebalance the Plan's strategic allocation to the Matching and Growth portfolios (as set out in Section 3).

Disinvestments to meet benefit payments, fund private credit drawdowns and for other liquidity management purposes should be done so from the LDI portfolio.

The investment managers have discretion over the timing of realisation of investments of the Plan within the portfolios that they manage, and in considerations relating to the liquidity of investments. When appropriate, the Trustees, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees' preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg private equity and private credit).

The Trustees have delegated the responsibility for buying and selling the underlying investments to the investment manager. As already mentioned, the day-to-day activities which the investment manager carries out for us are governed by the Investment Management Agreement, which is reviewed from time to time to ensure the operating instructions, guidelines and restrictions remain appropriate.

9. Compliance with this statement

The Trustees, along with the investment managers, Barings Global Advisors Ltd, BMO Global Asset Management, Permira Debt Managers and our consultants Lane Clark & Peacock LLP, (all of whom have been appointed by the Trustees) all have duties to perform to ensure compliance with this Statement. These are:

The Trustees will review this statement at least every three years, or as soon as practicable following any change in the investment strategy on the advice of Lane Clark & Peacock.

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BMO Global Asset Management and BMO Investment Business Limited, will prepare quarterly reports to the Trustees including:

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- records of all transactions together with a cash reconciliation
- a review of recent actions undertaken on behalf of the Plan together with a summary of their current stated policy

Barings Global Advisors and Permira Debt Managers will provide fund reports and an update on the valuation of all investments held for the Plan on a quarterly basis.

Lane Clark and Peacock LLP, will provide the advice needed to allow us to review and update this statement as required.

Signed for and on behalf of the Trustees of the F&C Asset Management Pension Plan

A handwritten signature in black ink, appearing to be 'R. Selman', written over a dotted line.

Signed.....

Effective Date: March 2020