

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 JULY 2019 TO 30 JUNE 2020

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations"), as amended by subsequent legislation. It explains how the trustee ("the Trustee") of the TWEFS Retirement Benefits Scheme ("the Scheme") met the governance standards which apply to occupational pension schemes that provide money purchase benefits (i.e. defined contribution "DC" schemes) during the period 1 July 2019 to 30 June 2020 ("the Scheme Year").

Background to the Scheme

The Scheme was established on 22 January 1975 and is currently governed by the provisions of a Definitive Deed and Rules dated 28 August 2007 (as amended from time to time). The Scheme operates both a defined benefit ("DB") section ("the DB Section") and a DC section ("the DC Section").

The DC Section was set up to allow contributions from members of the DB Section whose earnings were in excess of the earnings cap and was later extended to accept contributions for those members who were approaching retirement at the time the TWEFS business was acquired by Forester Life, the sponsoring employer of the Scheme ("the Sponsoring Employer").

The DB Section ceased future accrual on 1 March 2011. The DC Section ceased to accept contributions with effect from 1 April 2013.

The Scheme also provided a facility for members of the DB Section to pay additional voluntary contributions ("AVCs") on a DC basis to enhance their benefits at retirement. The AVC facility closed to future accrual on 1 March 2011.

Trustee of the Scheme

Following the end of the Scheme Year there was a change of Trustee. On 24 November 2020, Entrust Pension Limited ("Entrust") was appointed as Trustee in place of the then trustee, Tunbridge Wells Equitable Friendly Society Trustee Company Limited ("the Former Trustee").

This statement reports on relevant governance matters throughout the Scheme Year during which time the Former Trustee was the Trustee. However, it is signed on behalf of the Trustee by the current trustee, Entrust, which is the Chair of the Trustee for the purposes of the Regulations. Where relevant, reference to the Trustee in the statement includes or is a reference to the Former Trustee as appropriate.

DC review

During the previous and current reporting period, the Former Trustee and the Sponsoring Employer considered the future of the DC Section and the options available including the possibility of securing relevant DC benefits outside of the Scheme in an alternative suitable arrangement ("the DC Review"). The Former Trustee was aware that other arrangements in the wider DC market might offer members a wider range of investment options and flexibility than can be provided under the Scheme. Considerations are ongoing and will continue to be progressed during the 2020/21 Scheme year.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Default arrangement

As mentioned in the 'Background to the Scheme' Section above, the DC Section was set up to allow contributions from members of the DB Section whose earnings were in excess of the earnings cap and was later extended to those members who were close to retirement. It was decided that a Lifestyle default was inappropriate for the Scheme. Therefore, all members in the DC Section self-selected their own investments; hence, there is no formal default arrangement in place. The Scheme is now closed to new joiners and does not accept any new contributions from its existing members. Details of the four funds available to members are shown in the 'Charges and transaction costs' Section discussed later in this statement.

Although the Scheme has never operated with a default arrangement, it was understood that a "technical default" may have been created. In 2017, UBS Global Asset Management (UK) Limited ("UBS"), the Scheme's investment manager, closed the UBS Global Equity Index Tracker Fund; this fund invested 60% of assets into UK equities and the remaining 40% into overseas equities. Members' investments in this fund were subsequently split between the UBS Global (ex-UK) Equity Tracker Fund (40%) and the UBS UK Equity Tracker Fund (60%) without the members' explicit consent. As a result, these two funds were identified by the Former Trustee as a "technical default" arrangement. The Former Trustee has not reviewed this technical default arrangement given the similarity between this arrangement and the members' original selection (the UBS Global Equity Index Tracker Fund).

The Trustee regularly reviews and monitors the performance of the Scheme's investments throughout the year and receives biannual performance reports from its advisers. The Trustee was satisfied with the performance over the period covered by this statement and had no immediate concerns regarding any of the fund options available to members. In particular, the Trustee notes that the two technical default funds (the UBS Global (ex-UK) Equity Tracker Fund and the UBS UK Equity Tracker Fund) both tracked their benchmarks to within levels that are considered acceptable for index-tracking funds. The two funds have therefore performed to a level that the Trustee considers to be consistent with their aim to provide capital growth for members, as set out in section 5 of the SIP.

During the Scheme Year there were no changes to the investment strategy or the funds available to members. A formal review of the investment strategy has not been undertaken by the Former Trustee previously taking into account the circumstances of the Scheme including the size of the DC arrangements and the lack of a formal default strategy. The Former Trustee believed that the current fund range provided sufficient choice for members and that, as only three members remain in the Scheme and all three are approaching retirement, undergoing a formal review of the Scheme's investment strategy would not be appropriate.

As explained in the 'DC Review' Section, the Trustee is currently exploring the possibility of securing the DC Section benefits outside of the Scheme. Should the DC Section assets be retained within the Scheme the Trustee will consider further an investment review. It will also undertake a review if any material changes occur to the available self-select funds and/or the membership demographics.

Further information on the Scheme's investment arrangements can be found in the Scheme's Statement of Investment Principles ("SIP") dated September 2020, a copy of which is submitted alongside this statement. The SIP will be reviewed a minimum of every three years (i.e. by September 2023) or as soon as any significant developments in investment policy or member demographics take place.

A copy of the SIP and this statement are published online at the following URL: <https://www.foresters.com/en-gb/tw-pensions> and members are notified about this in their annual benefit statements.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Processing financial transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC arrangements are processed promptly and accurately. Core financial transactions include transfers of member assets out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members.

The core financial transactions of the DC Section are undertaken on the Trustee's behalf by the Scheme administrator, Mercer Limited (previously JLT Employee Benefits) and its investment manager, UBS.

The administrator also undertakes limited financial transactions relating to AVCs including the disinvestment of AVC monies and requesting switching on behalf of members. It undertakes few core financial transactions in relation to AVCs with the majority relating to either retirements or transfers.

The Trustee regularly reviews the processes and controls implemented by these organisations and considers them to be suitably designed to achieve these objectives. The Trustee has a service level agreement ("SLA") in place with the administrator. Amongst other matters, this covers the accuracy and timeliness of all core transactions. The Trustee has agreed performance objectives with the administrator and receives regular reports which enable it to monitor the performance against those service levels and to ensure that members receive an effective administration service. It also evaluates the performance of the administrator on a regular basis.

The processes adopted by the administrator to ensure that the requirements of the SLA are met include daily monitoring of bank accounts, four eyes checking of investment and banking transactions, dynamics checklists, a central financial control team separate to the administration team and an authoriser and releaser process for investment and bank transactions.

The administration reports covering the reporting period show that 89% of work was completed within the agreed service levels. There were no issues relating to the processing of Scheme transactions. The Trustee continues to monitor performance against the SLA on a regular basis. It also receives an annual Assurance Report on Internal Controls (AAF 01/06) from the administrator.

RSM UK Audit LLP also independently audits the Scheme's financial statements on an annual basis.

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Charges and transaction costs

The law requires the Trustee to disclose the charges and transactions costs borne by Scheme members with DC benefits and to assess the extent to which those charges and costs represent good value for members. These transaction costs are not limited to the ongoing charges on member funds but should also include trading costs incurred within such funds. Statutory guidance (the "reporting of costs, charges and other information: guidance") has been taken into account when preparing this Section of the Statement.

In this context, "charges" means (subject to some specific exemptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. They comprise the Total Expense Ratio ("TER").

"Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments. The transaction cost data provided below is based on the period 1 October 2019 to 30 September 2020 as data for the exact period covered by this statement was unavailable. The Trustee will continue to ask for the data for the period covered by this statement.

Transaction costs have been provided by the investment manager of the DC Section and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) and transaction costs payable for each fund available to members are as follows:

Fund	TER (%)	Transaction Cost (%)
UBS Life World (ex-UK) Equity Tracker Fund	0.25	0.016
UBS Life UK Equity Tracker Fund	0.25	0.029
UBS Life Over 15 Years Gilt Index Fund <i>(No assets currently held in the Scheme)</i>	0.25	0.063
UBS Life UK Fixed Interest Tracker Fund	0.25	0.023

Source: UBS. TERs and Transaction costs shown are for the 1 year period to 30 September 2020

The Former Trustee was comfortable that the costs for the available funds were reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. The value for members assessment is discussed later in this statement.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Cumulative effect of charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples and the DB AVC investment options, which are listed later in this statement, have also been considered.

The requirements state that illustrations should be provided for a selection of significant funds within the Scheme. The funds for which illustrations are required in order to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The fund or strategy with the most members invested (*UBS Life UK Equity Tracker Fund*)
- The most expensive fund (*Standard Life Pension With Profits One Fund (a DB AVC fund)*)
- The least expensive fund (*UBS Life UK Fixed Interest Tracker Fund*)
- The fund with the highest expected return (*UBS Life UK Equity Tracker Fund*)
- The fund with the lowest expected return (*UBS Life UK Fixed Interest Tracker Fund*)

In addition, it was decided it would be appropriate to provide an illustration for the 'technical default' as well as those listed above.

The illustrations of the impact of charges on a typical member's pension pot are provided below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

The compounding effect of charges on a member's fund can be illustrated as follows:

Illustrations for an "Average" member								
	Technical Default • 60% <i>UBS Life UK Equity Tracker Fund</i> • 40% <i>UBS Life World (ex-UK) Equity Tracker Fund</i>		UBS Life UK Equity Tracker Fund <i>(highest expected return fund)</i>		Standard Life Pension With Profits One Fund <i>(most expensive fund)</i>		UBS Life UK Fixed Interest Tracker Fund <i>(cheapest and lowest expected return fund containing member assets)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£113,630	£113,319	£113,630	£113,319	£111,004	£109,642	£108,137	£107,856
2	£117,862	£117,218	£117,862	£117,218	£112,478	£109,735	£106,742	£106,187
3	£122,252	£121,252	£122,251	£121,252	£113,971	£109,828	£105,364	£104,545
4 (retirement)	£126,805	£125,424	£126,804	£125,424	£115,483	£109,920	£104,005	£102,928

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Illustrations for a "Young" member								
	Technical Default • 60% UBS Life UK Equity Tracker Fund • 40% UBS Life World (ex-UK) Equity Tracker Fund		UBS Life UK Equity Tracker Fund <i>(highest expected return fund)</i>		Standard Life Pension With Profits One Fund <i>(most expensive fund)</i>		UBS Life UK Fixed Interest Tracker Fund <i>(cheapest and lowest expected return fund containing member assets)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£113,630	£113,319	£113,630	£113,319	£111,004	£109,642	£108,137	£107,856
3	£122,252	£121,252	£122,251	£121,252	£113,971	£109,828	£105,364	£104,545
5	£131,528	£129,739	£131,526	£129,739	£117,016	£110,013	£102,663	£101,336
7	£141,508	£138,821	£141,505	£138,821	£120,143	£110,199	£100,031	£98,225
9	£152,245	£148,538	£152,242	£148,538	£123,354	£110,385	£97,467	£95,210
10 (retirement)	£157,916	£153,649	£157,911	£153,649	£124,991	£110,478	£96,210	£93,737
Assumptions:								
The above illustrations have been produced for an "average" member of the Scheme based on the Scheme's membership data. Illustrations have also been completed for a "young" member of the Scheme using the same assumptions as the "average" illustrations but using the age of the Scheme's youngest member. Each individual fund illustration assumes 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above.								
Age - "Average" member - "Young" member					61 <i>(the average age of the Scheme's membership)</i> 55 <i>(the age of the youngest member of the Scheme)</i>			
Scheme Retirement Age					65			
Starting Pot Size					£109,550 <i>(the average pot size of the Scheme's membership)</i>			
Inflation					2.5% p.a.			
Expected future nominal returns on investment:								
UBS Life World (ex-UK) Equity Tracker Fund					3.7% above inflation			
UBS Life UK Equity Tracker Fund					3.7% above inflation			
Standard Life Pension With Profits One Fund					1.3% above inflation			
UBS Life UK Fixed Interest Tracker Fund					1.3% below inflation			

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Additional Voluntary Contributions (AVCs)

The Trustee also made available to members a facility to pay in AVCs so that members who wished to avail themselves of the facility could secure an additional amount to the benefits provided under the Defined Benefit Section. The facility is provided via Standard Life and Utmost Life and Pensions (previously Equitable Life) and the available funds together with associated fees are shown below.

Transaction costs have been provided by the Scheme's investment manager and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Standard Life Pension With Profits One Fund	1.200	0.095
Standard Life At Retirement (Multi Asset Universal) Pension Fund	1.029	0.190
Standard Life Far East Equity Pension Fund	1.094	0.170
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	1.023	0.054
Standard Life Stock Exchange Pension Fund	1.027	0.108
Standard Life US Equity Tracker Pension Fund	1.005	0.088
Standard Life Managed Pension Fund	1.026	0.091
Utmost Life and Pensions Secure Cash Fund	0.500	0.001
Utmost Life and Pensions European Equity Fund	0.750	0.065
Utmost Life and Pensions UK Equity Fund	0.750	0.120
Utmost Life and Pensions Asia Pacific Equity Fund	0.750	0.067

Source: Standard Life. TERs and Transaction costs shown are for the 1 year period to 30 June 2020.

Utmost Life and Pensions. TER's and Transaction costs shown are for the 1 year period to 31 March 2020. The Trustee will continue to ask for the data for the period covered by this Statement.

On 1 January 2020, AVC benefits which were held with Equitable Life Assurance Society were transferred to Utmost Life. This followed a proposal by Equitable Life to transfer its with-profits and unit linked pensions business to Utmost Life. The proposal was approved by the Court and relevant policyholders during 2019. The Former Trustee obtained advice and assistance from Mercer on the proposal.

Prior to the transfer, members with Equitable Life AVC benefits had a choice of a number of investment funds, including the Equitable Life with-profits fund and unit linked funds. Following the transfer, the with-profits investments held by relevant Scheme members were converted to unit linked investments. The policy guarantees on the with-profits investments were removed in exchange for an immediate one-off fund value uplift. Existing unit linked investments were unaffected and simply moved across to Utmost Life and Pension Investments.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Value for members

A value for members assessment evaluates whether the costs and charges relating to DC benefits that are borne by members of a scheme represent 'good value' for members. There is no statutory definition of good value or single approach to an assessment of value. Trustees must determine whether good value is provided by developing a policy which reflects the circumstances of the scheme and its members.

The Former Trustee considered value for members and the approach which it believed was appropriate for the Scheme taking into account its particular circumstances. Having considered the position the Former Trustee decided not to undertake a formal value for members assessment over the reporting period – it considered that it had a comprehensive understanding of the membership demographics of the Scheme and as such was able to reach a view as to what good member outcomes should look like for the Scheme's members in aggregate.

The Former Trustee understood that value for members does not necessarily mean selecting the cheapest offer and, in its ongoing reviews of value for members, considered various factors including the quality of customer service, member communications and support, the efficiency of administration services, the robustness of Scheme management and governance, fund management and performance of the funds. In addition, the Former Trustee considered the DC Code of Practice and relevant quality features as a standing item on its meeting agendas throughout the Scheme Year and following the end of the reporting period.

With this in mind, the Former Trustee assessed the costs and charges disclosed above and was satisfied that good value is provided to members in terms of the costs and charges structures which have been negotiated for them and that the stated explicit charges for the Scheme's funds represent good value for members in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

As explained in the 'DC Review' Section above, the Former Trustee was aware that other arrangements in the wider DC market may offer DC Section members improved value for members with a wider range of investment options and flexibility than can be provided under the Scheme and had been in discussions with the Sponsoring Employer as to potential options regarding the DC Section. The DC Review discussions will continue to be progressed during the 2020/21 Scheme year. However, the Former Trustee was mindful that members have a right to use their DC funds towards their tax free cash entitlement under the DB Section at retirement. The value of this option (and the legal entitlement to it) has to be taken into account as part of any review.

The Trustee has set up processes to publish relevant information on the costs and charges of the investment arrangements and self-select funds online at the following URL: <https://www.foresters.com/en-gb/tw-pensions> and members are notified about this in their annual benefit statements.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirements for trustees to have appropriate knowledge and understanding of the law in relation to pensions and trusts, the funding of occupational pension scheme, investment of scheme assets and other matters to enable them to exercise their functions as trustees effectively. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07 and 13.

The Former Trustee Directors were required to familiarise themselves with the Scheme's Trust Deed and Rules, other relevant governing documents, funding and investment documents. During the Scheme Year, the Former Trustee demonstrated a working knowledge of the trust deed & rules, dealing with specific issues as they arose, including consideration of the trustee discretion, dealing with member disputes and production of member newsletters.

The SIP was reviewed in September 2020 to update it to take account of relevant legislative developments. The Former Trustee received training prior to this review on its investment duties in respect of Environmental, Social and Governance ("ESG") matters and this was incorporated into the September 2020 review of the SIP. Therefore, the Trustee believes a working knowledge of the SIP over the period covered by this statement has been demonstrated.

Over the Scheme Year the Trustee reviewed and updated the Scheme's business plan and considered the suitability of the DC Section of the Scheme in conjunction with the Sponsoring Employer. Trustee Objectives were also set at the beginning of each year and the DC Code of Practice was a standing item on meeting agendas. The Trustee is satisfied that an appropriate level of conversance with the documents setting out the Trustee's relevant policies has been demonstrated.

The Former Trustee had arrangements in place for ensuring that the Directors took personal responsibility for keeping themselves up-to-date with relevant developments and new members of the Trustee board were required to complete the toolkit, in its entirety, within six months of taking up office. The Former Trustee Board also included an experienced professional independent trustee who had thoroughly reviewed the relevant Scheme documents to ensure he had adequate knowledge of the Scheme. The professional trustee also achieved accreditation as a Professional Pension Trustee during the Scheme Year.

On 25 September 2019, the Former Trustee received specific training on investment strategy and ESG investing. In addition, it received advice from retained professional advisers, who attended every meeting. The relevant skills and experience of those advisers is a key criterion when evaluating adviser performance and selecting new advisers. Legislative updates and Trustee Knowledge and Understanding were included on the agenda for each of the Trustee's meetings and "Current Issues in Pensions" and "Client Alert" updates are provided by advisers. Additionally, the Former Trustee Directors completed self-assessment questionnaires in August 2020 to assess its effectiveness as a Trustee Board.

Taking account of the trustee knowledge and understanding arrangements, training activities and review processes which were completed by the Former Trustee Board individually and collectively, together with the professional advice which was received by the Former Trustee during the Scheme Year and which was and is available to the Trustee through its advisers, the Trustee considers that the requirements for knowledge and understanding were met during the reporting period and that it is enabled properly to exercise its function as the trustee of the Scheme.

COVID 19

During the Scheme Year the Former Trustee discussed the effects of the Coronavirus Pandemic with its advisers. The Former Trustee was comfortable that robust contingency plans were in place to ensure that all pension matters continued to operate in the normal manner as far as possible.

The Former Trustee communicated to members to remind them that pension schemes are long-term arrangements and that neither trustees nor members should overreact to short term fluctuations where these do not cause a risk to members' benefits

The Chair's statement regarding DC governance was signed for and on behalf of Entrust Pension Limited, the Chair of the Trustee of the TWEFS Retirement Benefits Scheme:

Signed on behalf of the Trustee by: Stuart Evans

Date: 27 January 2021

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES - 2020

INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Directors of the TWEFS Retirement Benefits 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, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments;
- Completed, via their investment consultant Mercer, satisfactory due diligence with regard to the Investment Manager, JLT Investment Management (“JLT IM”); 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.

INVESTMENT OBJECTIVES

DEFINED BENEFIT (DB) SECTION

The Trustee’s primary investment objective for the Scheme is to ensure the Scheme’s assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise. In addition, the Trustee also considers the following as investment objectives:

- To return the Scheme funding level to 100% of the projected past service liabilities and then to maintain this funding level;
- To maximise investment returns subject to an acceptable level of risk, and by doing so, to minimise the level of contributions required of the employer; and
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

The Trustee believes that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

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STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

DEFINED CONTRIBUTION (DC) SECTION

The Trustee's objectives are to provide members with an investment strategy aligned to the needs of the members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustee recognises that in a defined contribution arrangement, members assume the investment risks themselves. The Trustee further recognises that members are exposed to different types of risk at different stages of their working lifetimes.

The Trustee understands that the Scheme is not required to provide a default investment strategy as it was not set up for auto-enrolment purposes. The Scheme requires members to self-select their own investments and the Trustee is mindful of the responsibility to provide members with an appropriate range of investment funds.

Details of the approach the Trustee has taken to meet these investment objectives are set out in Section 4. The Trustee has determined the investment policy in such a way as to address the risks set out in Section 7 of this Statement.

The Trustee will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

The items set out in this Statement are in relation to what the Directors deem as "financially material considerations". The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members' age and when they expect to retire.

INVESTMENT RESPONSIBILITIES

TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives. It carries out its duties and fulfil its responsibilities as a single body.

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 underlying investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- 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.

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STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

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, including self-select fund options for DC members
- 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's objectives (DB assets only)
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustee may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, it recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). 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.

In considering appropriate investments for the Scheme, the Trustee will obtain and consider written advice from Mercer, whom the Trustee believes to be suitability 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.

Mercer monitors the performance of the Scheme's underlying investment managers against their benchmarks.

Mercer makes a fund based charge for the services it provides as set out in its investment agreement with the Trustee.

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

In particular, 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 and these discounts are passed on in full to the Scheme.

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

JLT is authorised and regulated by the Financial Conduct Authority ("FCA").

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STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustee is a long term investor and does not look to change the investment arrangements on a frequent basis.

After considering appropriate investment advice, the Trustee appointed JLT IM as Investment Manager to the Scheme. JLT IM was first appointed in June 2017.

The key duty of JLT IM is to select the underlying 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 manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustee, after considering appropriate investment advice, has appointed UBS Life as the Investment Manager to the DC section of the Scheme. All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the general fund range.

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

The details of the underlying investment managers appointed by JLT IM and UBS Life are set out in Appendix 3, together with the details of each manager's mandate. In particular, 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.

Both UBS Life and all of the underlying investment managers that will be sub-contracted 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 and the Scheme benefits directly from these discounts.

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

As part of their DC governance duties, the Trustee reviews the investment manager fees.

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, it 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.

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.

JLT IM is authorised and regulated by the FCA.

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

JLT IM is also responsible for appointing a suitable Platform provider, which will provide the infrastructure to support the Scheme's 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 FCA and the PRA.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

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 4.

INVESTMENT STRATEGY

SETTING INVESTMENT STRATEGY: DB SECTION

The Trustee has determined the 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 Diversified Growth Funds/Multi Asset Funds, and a "stabilising" portfolio, comprising assets such as bonds and liability driven investments ("LDI"). The growth-stabilising allocation is set with regard to the overall required return objective of the Scheme's assets, which is determined by the funding objective and current funding level. In addition, the Scheme's requirement for liquidity will also be considered when setting the strategic asset allocation. Thus, 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 1.

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 2.

SETTING INVESTMENT STRATEGY: DC SECTION

The Trustee is not required to establish a default investment strategy for the Scheme as the Scheme was not set up for auto-enrolment purposes. Instead, the Trustee offers a range of self-select options from which members may choose to invest their assets. The range of investment options covers a number of asset classes and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

The balance between funds and asset classes is the member's decision; this balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustee has made the following 4 funds available for members to select from:

- UBS Life World (ex-UK) Equity Tracker Fund
- UBS Life UK Equity Tracker Fund
- UBS Life Over 15 Years Gilt Index Fund
- UBS Life UK Fixed Interest Tracker Fund

Further details for these funds are set out in Appendix 3.

Though the Scheme does not operate with a default investment strategy, the Trustee has identified two of the above funds (the UBS Life World (ex-UK) Equity Tracker Fund and the UBS Life UK Equity Tracker Fund) as "technical defaults" following the closure of the UBS Life Global Equity Index Tracker Fund. Further information on this arrangement can be found in Section 5.

The Trustee will continue to keep the fund range under review, and will make changes if appropriate.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

INVESTMENT DECISIONS

The Directors distinguish 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. It does so after receiving written advice from their 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.

TYPES OF INVESTMENTS TO BE HELD

The Trustee is permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability Driven Investment (“LDI”) products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

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. Where it considers it advisable to do so, the Trustee has appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustee to commit the resources necessary to make these decisions itself.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

TECNICAL DEFAULT

In accordance with Section 4 – Restrictions on Charges of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 No. 879, the Fund has identified two of the Scheme's funds, the UBS Life Global (ex-UK) Equity Tracker Fund and the UBS Life UK Equity Tracker Fund, as "technical default" arrangements (as defined by these regulations).

The Scheme previously held investments in the UBS Life Global Equity Index Tracker Fund. However, in 2017 UBS closed this fund. Members' investments in this fund were subsequently split between the UBS Life World (ex-UK) Equity Tracker Fund (40%) and the UBS Life UK Equity Tracker Fund (60%).

These funds have therefore been identified as "technical defaults" as members' assets have been automatically directed to these funds without members having instructed the Trustee where their assets are to be invested. We believe the funds qualify as "default arrangements" because at least one member of the Scheme had been invested in the UBS Life Global Equity Index Tracker Fund for more than 5 years at the time of closure and did not specify where their assets should otherwise be invested.

The UBS Life World (ex-UK) Equity Tracker Fund invests in a range of international equities from developed markets and aims to track the performance of the FTSE Developed ex-UK Index.

The UBS Life UK Equity Tracker Fund invests solely in UK-based equities and aims to track the performance of the FTSE All-Share Index.

Both these funds are therefore aiming to provide capital growth to members' savings and offer a greater level of risk exposure compared to other funds available to members.

The performance of these funds are monitored at least every three months, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

RESPONSIBLE INVESTING

FINANCIALLY MATERIAL CONSIDERATIONS

In setting the investment strategy, the Trustee has prioritised assets which provide protection against movements in the Scheme's liability value and also assets which provide diversification across a wide range of investment markets and considers the financially significant benefits of these factors to be paramount.

However, the Trustee understands that it must aim to consider all factors that have the ability to impact the financial performance of the Scheme's investments over an appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustee believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis may lead to underestimating the level of overall risk being taken.

However, 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. 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.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustee accepts the fact that it has very limited ability to influence the ESG policies and practices of the companies in which the managers invest. The Trustee will therefore rely on the policies and judgement of the investment manager.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

NON-FINANCIAL CONSIDERATIONS

The Trustee's objective is that the financial interests of the Scheme members are its first priority when choosing investments.

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

However, the Trustee believes that it has a good understanding of membership demographics, behaviours and preferences and, where appropriate, strive to provide a fund range that meets both financial and non-financially relevant member needs.

STEWARDSHIP POLICY

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.

The Trustee notes that the investment managers' corporate governance policies are available on request and on their respective websites.

The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustee will request a clear rationale from the managers on their alternative approach to stewardship.

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

MEMBER VIEWS

The Trustee does not explicitly take account of member views when selecting investments for the Scheme. However, the Trustee is committed to reviewing this policy on an ongoing basis.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

RISK

The Trustee is aware, and seeks to take account, of a number of risks in relation to the Scheme's investments, including those set out below. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed.

The Trustee recognises that in a defined contribution money purchase arrangement, members assume the investment risks themselves and members are exposed to different types of risk at different stages of their working lifetimes.

Broadly speaking, the main types of investment risk can be identified are as follows:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Risks affecting the DB and DC sections of the Scheme			
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	<p>DB:</p> <p>The Trustee acknowledges that these risks are mostly delegated to the investment managers. The Trustee will ensure that it is comfortable with the amount of risk that the Scheme's investment manager takes and will ensure assets are invested in a diverse portfolio across various markets.</p> <p>DC:</p> <p>The Trustee makes available a range of funds across various asset classes, with the majority expected to keep pace with inflation.</p> <p>Members are able to set their own investment allocation, in line with their risk tolerances.</p>
	Currency Risk	This is the risk that occurs when the price of one currency moves relative to another (reference) currency. 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 such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.	
	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.	
	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 TWEFS RETIREMENT BENEFITS SCHEME
YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

Interest Rate Risk	<p>This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.</p> <p>Changes to Interest Rates will affect the market price of annuities, which therefore affects the amount of guaranteed pension that members of the DC section will be able to purchase with their savings at retirement.</p>	<p>DB:</p> <p>The Trustee acknowledges that interest rate risk related to individual debt instruments, and particularly liability driven investment (LDI) instruments, is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.</p> <p>DC:</p> <p>Members have the option to invest in gilt fund which broadly tracks the prices of annuities as members approach retirement, thereby protecting members from large changes to interest rates.</p>
Environmental and social and governance ("ESG") risks	<p>This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.</p> <p>These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.</p>	<p>Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.</p> <p>Please see Section 6 for the Trustee's responsible investment statement.</p>
Manager risk	<p>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.</p>	<p>It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by JLT, and, for the DB section, by appointing JLT IM to monitor and replace any managers (having received written authorisation from the Trustees) where concerns exist over their continued ability to deliver the investment mandate.</p>
Liquidity risk	<p>The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.</p>	<p>As far as is practicable and necessary, the Trustee invests in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.</p>
Legislative Risk	<p>This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.</p>	<p>The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.</p>

THE TWEFS RETIREMENT BENEFITS SCHEME
YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

DB-specific risks		
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.
Solvency Risk	The risk that the Scheme will be unable to meet its liabilities in the long-run.	Measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a Scheme-specific strategic asset allocation with an appropriate level of risk.
DC-specific risks		
Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	Members may target different retirement outcomes by selecting different self-select fund options. For example, the Over 15 Years Gilts Index Fund can be used to target annuity-purchase in retirement.

Whilst the Trustee identifies and manages a large proportion of the risks faced by the Scheme, it is not possible to completely eradicate a number of the above risks. The Scheme is closed to new members and future accrual and contributions, and when implementing the current investment strategy the Trustee has taken into consideration the future de-risking process to minimise the risks overtime.

The Trustee intends to increase the DB section's allocation to 'safe' assets overtime, thereby reducing the overall funding level volatility as the Scheme reaches its target funding date.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either the Trustee's or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

MONITORING OF INVESTMENT ADVISERS AND MANAGERS

INVESTMENT ADVISER

The Trustee continually assesses and reviews the performance of their Investment Adviser in a qualitative way.

INVESTMENT MANAGERS

The Trustee receive bi-annual monitoring reports on the performance of the underlying investment managers from Mercer, which presents 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. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The reporting also 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 be made to the underlying managers however if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

The Trustee also monitors the stewardship track record of the Scheme's underlying investment managers on an annual basis and will take action if this is found inconsistent with appropriate long-term return generation.

PORTFOLIO TURNOVER COSTS

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

For the Scheme's DB section, the Trustee does not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs.

For the DC section, the Trustee considers portfolio turnover costs as part of the annual Chair's Statement.

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.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

DB SECTION

Previously, the Scheme provided a facility for members who paid Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement. Members were offered a range of funds in which to invest their AVCs with Standard Life and the Utmost Life, formerly Equitable Life Assurance Society.

The Trustee is of the opinion that the type and range of facilities described above were suitable to provide for the requirements of Scheme members in any of the circumstances likely to arise.

The AVC facility is now closed to future accrual.

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

CODE OF BEST PRACTICE

DEFINED BENEFIT SECTION

The Trustee notes that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Directors of the Trustee have received training in relation to this guidance and are 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 Trustee meets with the investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

DEFINED CONTRIBUTION SECTION

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustee. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>

When formulating their investment policy, the Trustee has acted in line with the Code of Practice 13.

COMPLIANCE

The Scheme's Statement of Investment Principles is available to members online.

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 Trustees on 23 September 2020.

Signed on behalf of the Trustees by

On

23 September 2020

Full Name

CHRISTOPHER CLAYTON

Position

Chair of Trustees

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's initial strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	60.0	+/-
Diversified Growth	60.0	10.0
Matching Assets	40.0	+/-
Corporate Bonds	20.0	5.0
Real LDI	12.0	6.0
Nominal LDI	8.0	4.0
Total Assets	100.0	

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

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Scheme and from income from the Scheme's investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Scheme's central benchmark asset allocation, as set out in Appendix 1. The allocation to Real LDI and Nominal LDI should be exempted wherever possible, as both provide strategic stability to the Scheme's liabilities.

The Trustee will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme's cashflow requirements.

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

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

APPENDIX 3: INVESTMENT MANAGER INFORMATION

DEFINED BENEFIT MANAGER DETAILS

The assets from the DB section of the Scheme are invested 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 table below show the details of the mandate(s) with each manager.

Manager / Fund	Benchmark	Objective	Dealing Frequency
Growth Assets			
Threadneedle Multi Asset Fund	UK BoE Base Rate	To outperform the benchmark MSCI Emerging Markets Index by 2.3% to 4.3% p.a. (net of fees) over 3-year rolling period.	Daily
Matching Assets			
Insight UK Corporate All maturities	iBoxx Sterling Non-Gilt All Maturities Index	Objective is to outperform the iboxx	Daily
BMO Nominal Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time	Daily
BMO Real Dynamic LDI Fund	Cashflows for a typical pension scheme	To track a set of cashflows resembling a typical scheme, which will mature through time	Daily

DEFINED CONTRIBUTION MANAGER DETAILS

Investment Vehicle	Benchmark	Total Expense Ratio (TER)
UBS Life Global (ex-UK) Equity Tracker Fund	FTSE Developed ex UK (net GB official)	0.25%
UBS Life UK Equity Tracker Fund	FTSE All-Share (gross)	0.25%
UBS Life Over 15 Years Gilts Index Fund	FTSE Actuaries Government Securities Over 15 Year Index	0.25%
UBS Life UK Fixed Interest Tracker Fund	FTSE Actuaries Government Securities All Stocks Gilt Index	0.25%
UBS Life Cash Fund	1 month UK T-bill	0.25%

THE TWEFS RETIREMENT BENEFITS SCHEME

YEAR ENDED 30 JUNE 2020

STATEMENT OF INVESTMENT PRINCIPLES – 2020 (CONTINUED)

APPENDIX 3: INVESTMENT MANAGER INFORMATION (CONTINUED)

Market-Switching Risk has not currently been addressed and no 'Lifestyle' or phased transition strategies have been implemented. There are only a few members in the defined contribution section of the Scheme. The section was originally intended to receive contributions on earnings in excess of the earnings cap for members of the defined benefit section and was made available to certain members who were close to retirement when the defined benefit section closed to future accrual in February 2011. The Trustee does not therefore consider a lifestyle strategy to be appropriate for the defined contribution section. Further details on each fund are set out below:

UBS Life World (ex-UK) Equity Tracker Fund

A global equity fund offers some diversification, with a portfolio invested in European (ex UK); North American; Japan; Pacific and Emerging Markets equities.

This diversification of equities helps spread the risk among different markets and is aimed towards investors who have a long-term investing strategy.

UBS Life UK Equity Tracker Fund

A UK equity fund will invest solely in UK equities.

The diversification benefits of this fund are seen at a portfolio level i.e. the fund invests in a single market (UK), but provides diversification to the portfolio as a whole.

UBS Life Over 15 Years Gilts Index Fund

This fund invests in medium to long-dated UK Conventional Gilts, the instruments used by insurance companies when pricing annuities. This type of fund protects members against annuity-rate risk.

UBS Life UK Fixed Interest Tracker Fund

This fund invests in UK Conventional Gilts of all maturities. This fund is relatively low risk and therefore provides diversification from the higher-risk equity funds.

UBS Life Cash Fund

This fund invests only in short-term deposits, which are not subject to volatility in capital-value terms. This type of fund helps to protect members against lump-sum risk.

Active vs Passive

After assessing, the potentially enhanced return from active management in relation to the additional risks assumed; the costs involved in employing an active investment manager; the Trustee has decided to adopt a passive policy to implement the above strategy. To this end, it has appointed a leading index manager to manage the assets of the defined contribution section of the Scheme.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustee or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.