Weatheralls North Final Salary Pension Scheme ("the Scheme")
Statement of Investment Principles

This Statement of Investment Principles ("SIP") sets out the Scheme's investment objective, the Scheme's investment strategy, the Trustees' approach to risk management, issues concerning implementation of the strategy, the policy on governance and the Trustees' approach to Environmental, Social and Governance considerations.

The appendices to this statement contain further detail on the investment strategy, and may be updated from time to time without updating this statement.

The Trustees have consulted with the employer prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The principles outlined in this section of the Statement of Investment Principles became effective following the delegation of certain decision making powers by the Trustees to Aon Investments Limited (the "Fiduciary Manager"). The Trustees have taken advice from Aon Solutions UK Limited ("Aon") regarding the suitability of the Fiduciary Manager in this capacity.

INVESTMENT OBJECTIVE

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they selected is designed to achieve a higher return than the return on liabilities while maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustees have set an investment objective which is to outperform the Liability Benchmark* by 2.0% per annum over rolling three year periods.

**The return on the Liability Benchmark will be calculated as the percentage change in the value of the liability cashflows between the start and the end of the period.*

This Statement of Investment Principles is produced to meet the requirements of the Pensions Act 1995 and to reflect the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

STRATEGY

The investment objective will be to achieve a return of 2.0% p.a., over rolling three year periods, in excess of the liabilities (as per the liability benchmark). The Trustees have given the discretion to the Fiduciary Manager to invest the assets in an appropriate way to meet the investment objective. The asset allocation will be a combination of Growth and Liability Matching Components.

This allocation may vary over time at the discretion of the Fiduciary Manager and/or due to market movements. The Liability Matching Component aims to take into account the movement in the underlying value of the Scheme's liabilities and the Growth Component is affected by market prices of a broad range of asset classes.

The asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. When choosing the Scheme's planned asset allocation strategy the Trustees considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

RISK

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. The main risks are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustees and their advisers will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers chosen by the Fiduciary Manager, to achieve the rate of investment return assumed by the Trustees (“manager risk”). This risk is considered by the Trustees and Fiduciary Manager both on the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustees have delegated this decision to the Fiduciary Manager. This risk was considered by the Trustees and their advisers when setting the Scheme's investment strategy. The Fiduciary Manager also considers this risk when implementing the strategy.
- The possibility of failure of the Scheme’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.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. This will normally be done triennially. Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustees to monitor some of the key risks they receive quarterly reports which will include information such as:

- Performance versus the estimated growth in the Scheme's liabilities.
- Any significant issues that may impact the Scheme's ability to meet the performance target set by the Trustees.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustees. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take some decisions themselves and to monitor those they delegate.

The Trustees have delegated all day-to-day decisions in respect of the Scheme's investment to the Fiduciary Manager through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustees and Fiduciary Manager are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Fiduciary Manager's responsibilities include:

- Realisation of investments;

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.

- Delegating voting and corporate governance as required for the underlying investment managers to meet the performance objectives of the investments they hold.

GOVERNANCE

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

<table>
<tr><td colspan="2">Trustees
Set structures and processes for carrying out their role.
Review actual returns versus the Scheme's investment objective.
Select and review a suitable level of target return.
Select and monitor the investment advisers and the Fiduciary Manager.
Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated)
Approve this document</td></tr>
<tr><td>Investment Adviser
Advise on all aspects of the investment of the Scheme assets.
Advise on this statement.
Provide required training.
Advise on the Liability Benchmark used by the Fiduciary Manager.</td><td>The Fiduciary Manager
Set the strategy for investing in different asset classes in line with the investment objective.
Determine the strategy for selecting fund managers.
Implement the investment strategy.
Select and appoint investment managers.
Monitor investment managers.
Adjust asset allocations to reflect medium term market expectations.
Report on asset performance against the liability benchmark.
Report on asset returns against objectives.
Communicate any significant changes to the investment arrangements.</td></tr>
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The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustees' policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Plans (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the Fiduciary Manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund manager to manage the assets delegated to it under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Fiduciary Manager has appointed custodians for the safe custody of the assets held within their respective pooled funds in which the Scheme is invested. The custodians are responsible for the safekeeping of the assets held and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the sponsoring employer over any changes to the SIP.

Environmental, Social, and Governance considerations

In setting the Scheme’s investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme’s investments. The Trustees consider these risks by taking advice from its investment adviser.

The Trustees have appointed Aon Investments Limited ("the Fiduciary Manager") to manage the Scheme's assets. The Fiduciary Manager invests in a range of underlying investment vehicles.

As part of the Fiduciary Manager’s management of the Scheme's assets, the Trustees expect the Fiduciary Manager to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme’s investment strategy the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Arrangements with Asset Managers

The Trustees recognise that the arrangements with the Fiduciary Manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the Fiduciary Manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive at least quarterly reports and verbal updates from the Fiduciary Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the Fiduciary Manager over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their Fiduciary Manager, which supports the Trustees in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Scheme’s Fiduciary Manager and request that they review and confirm whether their approach is in alignment with the Trustees’ policies.

The Trustees delegate the ongoing monitoring of underlying asset managers to the Fiduciary Manager. The Fiduciary Manager monitors the Scheme’s investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new Fiduciary Manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees’ policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the Fiduciary Manager, and regular monitoring of the Fiduciary Manager's performance and investment strategy, is sufficient to incentivise the Fiduciary Manager to make decisions that align with the

Trustees’ policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the Fiduciary Manager is considered to make decisions that are not in line with the Trustees’ policies, expectations, or the other considerations set out above, the Trustees will typically engage with the Fiduciary Manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the Fiduciary Manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the Fiduciary Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Cost Monitoring

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their Fiduciary Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the Fiduciary Manager;
- The fees paid to the investment managers appointed by the Fiduciary Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Fiduciary Manager;
- The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the Fiduciary Manager;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. The Fiduciary Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the Fiduciary Manager in two key cost areas:

- The ability of the Fiduciary Manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the Fiduciary Manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

Evaluation of Performance and Remuneration

The Trustees assess the (net of all costs) performance of their Fiduciary Manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the Fiduciary Manager and fees incurred by third parties appointed by the Fiduciary Manager are provided annually by the Fiduciary Manager to the Trustees. This cost information is set out alongside the performance of the Fiduciary Manager to provide context. The Trustees monitor these costs and performance trends over time.

Stewardship – Voting and Engagement

The trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The trustees annually review the stewardship activity of the fiduciary manager to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The trustees receive annual reports on stewardship activity carried out by their fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers.

As part of the fiduciary manager's management of the Scheme's assets, the trustee expects the manager to:

- Ensure that (where appropriate) underlying asset managers exercise the trustees' voting rights in relation to the Scheme's assets; and
- Report to the trustees on stewardship activity by underlying asset managers as required.

The trustees will engage with their fiduciary manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant or if votes were abstained. Where voting is concerned we would expect our underlying asset managers, to recall stock lending, as necessary, in order to carry out voting actions.

The trustees may engage with their fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Appendix to Scheme's Statement of Investment Principles

This Appendix sets out the Trustees' current investment strategy and is supplementary to the Trustees' Statement of Investment Principles (the “attached Statement”).

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

1 – Asset Allocation Strategy

The Scheme’s assets currently a return of 2.0% p.a., over rolling three year periods, in excess of the liabilities. The assets are invested by the manager, who has the discretion to select a suitable allocation between the Growth and Liability Matching components to meet this return.

2 – The Portfolios

Growth Portfolio

The Growth Portfolio is predominantly invested in the Managed Growth (Adept 9) Fund (“The Fund”). The Fund targets a benchmark return of LIBOR +4.0% per annum over a full market cycle.

The Fund is diversified by style, strategy and asset class by investing with underlying funds that may from time to time include equity funds, fixed income funds, debt funds, currency funds, hedge funds, fund of hedge funds and other collective investment schemes covering a broad range of asset classes and strategies (“the Underlying Funds”). The Fund utilises, through the Fiduciary Manager, an investment process that consists of quantitative and qualitative analyses by which Underlying Funds are screened and regularly monitored. The Underlying Funds selected for the Fund are tracked to ensure that, in combination, their strategy, objectives, discipline, transactions, results and outlook continue to remain consistent with the Fund’s objectives. As a fund of investment funds, the Fund is designed to provide investors with the potential to control risk through diversification by investing with several Underlying Funds.

The Growth Portfolio is also invested in the Low Risk Bonds Fund (Adept 25). The Low Risk Bonds Fund targets a benchmark return of 3-month LIBOR +1.0% p.a. (net of manager fees). The Low Risk Bond Fund seeks to preserve capital, provide exposure to a diversified portfolio of liquid, low-risk credit strategies and reduce the reliance on cash in the Matching Portfolio, improving overall portfolio efficiency.

Matching Portfolio

The aims of the matching funds are to provide returns in line with the liabilities of typical pension schemes on an exposure basis in the relevant tenures and instruments (long/short, real/nominal).

In the normal course of events, the Funds will seek to achieve their investment objectives primarily by investing in a combination of a diversified portfolio of fixed income securities directly or through the use of derivatives and collective investment schemes which themselves invest primarily in these instruments.

3 – Other matters

Cash investments and disinvestments

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

The investment manager is not permitted to hold cash, other than within the funds themselves and subject to the constraints set by the investment managers.