

Comet Pension Scheme

Statement of Investment Principles

September 2016



Version Update

Version	Effective From	Note
1.0	November 2004	Initial draft
2.0	May 2006	Revisions to comply with The Occupational Pension Scheme (Investment) Regulations 2005
3.0	October 2008	Revision for investment in DAA and implementation of Liability Hedge
4.0	May 2009	Revision for investment in Structured Equity & Corporate Bonds
5.0	February 2011	Revision for changes to the equity and global credit portfolios plus updated objectives
6.0	March 2012	Revised for new structure of SIP, changes made in 2011 and disinvestment from Emerging Market Equity
7.0	August 2013	Revised for investments into Structured Equity & Insurance-Linked Investments. Also to include the formalised Scheme Investment Principles
8.0	May 2015	Revised for an adjustment to the Scheme's strategic target return, a restructure of the Dynamic Asset Allocation mandates, implementation of a new Structured Equity solution, an adjustment to the Insurance Linked Securities mandate and a new position in FTSE RAFI Equity
9.0	June 2016	Revised for a restructure of the Dynamic Asset Allocation mandate, full redemption of the FTSE RAFI equity allocation, investment into Stressed Credit and a new discretionary Alternatives mandate
10.0	September 2016	Revised for redemption from the GMO Global Real Return fund and an increase to the broad bonds allocation held with PIMCO

Comet Pension Scheme

June 2016

Contents

1	Introduction	4
2	Scheme Governance	5
3	Investment Objectives	6
4	Asset Allocation Strategy	7
5	Strategy Implementation	10
6	Monitoring	12
7	Fees	13
8	Risks	14
9	Other Issues	16
	Appendix A – Responsibilities	17
	Appendix B – Managers Performance Targets	19
	Appendix C – Fee Detail	22
	Appendix D – Scheme Investment Principles	22

1 Introduction

This document constitutes the Statement of Investment Principles (“the SIP”) required under Section 35 of the Pensions Act 1995 for the Comet Pension Scheme (“the Scheme”). It describes the investment policy being pursued for the Scheme by the Directors of Comet Trustee Company Limited (“the Trustee” of the Scheme) and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (“the 2001 Myners Principles”). It also reflects rule 26.2 of the Scheme’s Trust Deed and Rules dated 3rd April 2006 and the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Steve Leake of Punter Southall, the Investment Adviser is P-Solve (a division of P-Solve Investments Limited) and the Scheme Lawyer is Ele Lovering of Eversheds LLP. They are collectively termed “the Advisers”.

The Trustee confirms that, before preparing this SIP, it has consulted with Darty Plc (“the Principal Employer”) and the Scheme Actuary and has obtained and considered written advice from the Investment Adviser. The Trustee believes the Advisers to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge, and experience of the management, of the investment of arrangements such as the Scheme. The Trustee also confirms that it will consult with the Principal Employer and take advice from the Advisers as part of any review of this SIP.

Where the Trustee is required to make an investment decision, it always receives written advice from the Investment Adviser first (and other Scheme advisers if appropriate) and believes that this, together with the Trustee Directors’ own collective expertise, ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme’s assets to professional fund managers (“the Managers”) in accordance with Section 34(2) of the Pensions Act 1995. The Managers are authorised under the Financial Services & Markets Act 2000, provide the expertise necessary to manage the investments of the Scheme competently and will comply with the requirements of Section 36 of the Pensions Act 1995.

1.1 Declaration

The Trustee confirms that this SIP reflects the Investment Strategy it has implemented for the Scheme.

Signed Ian Edwards

Date 23.9.2016

For and on behalf of the Trustee of the Comet Pension Scheme

2 Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme, as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Managers or to the Investment Adviser as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

3 Investment Objectives

The Trustee’s qualitative objectives for the Scheme are:

- I. To ensure that sufficient assets are available to pay out current and future members’ benefits as and when they arise.
- II. To maximise the funding level on an ongoing basis. In particular, to ensure that the Scheme reaches a 100% funding level within an appropriate period of time.
- III. And secondarily,
- IV. To minimise the risk of additional cash contribution requirements from the Principal Employer in meeting the balance of the costs in underwriting the Scheme benefits.

In terms of monitoring the investment arrangements, the above objectives have been translated into the following quantitative measures, which are used as the main management tool:

	Objective + Target
To achieve conservative best estimate returns equal to:	Bespoke liability cashflow benchmark* + 2.1% p.a. on the Total Fund over rolling 3 year periods
To aim to not breach a downside tolerance of:	Bespoke liability cashflow benchmark* – 4.4% p.a. on the Total Fund in any 12 month period.
Further risk tolerance measures	Construct a portfolio that aims to limit volatility and the impact of market shocks.

* This is the estimated change in the Scheme’s liabilities and is calculated by discounting the Scheme’s cash flows using the interest rate swap curves. Prior to 31st March 2010, this was based on a portfolio of gilts consisting of 65% FTSE Index Linked Gilts >5 Years and 35% FTSE Fixed Interest Gilts >15 Years.

4 Asset Allocation Strategy

4.1 Liabilities

The Scheme provides a pension that is based on length of Pensionable Service and Final Pensionable Salary. The Rules of the Scheme further guarantees the pensions in payment are increased as follows:

Service prior to April 1997	Statutory increases to Guaranteed Minimum Pensions (GMPs). There are no increases to GMPs earned pre April 1988. Pensions in excess of the GMPs are increased by the increase in the Retail Prices Index or 5% p.a. if lower.
Service post April 1997	Pensions are increased by 5% p.a. or the increase in the Retail Price Index, if lower.
Service post April 2005	Pensions are increased by 2.5% p.a. or the increase in the Retail Price Index, if lower.

The liabilities of the Scheme are linked to:

- Price inflation (subject to guaranteed limits) and fixed rate escalation up to retirement for deferred pensioners; and
- Price inflation (subject to guaranteed limits) once the pension comes into payment.

The Scheme ceased accrual of benefits on 30 September 2007.

The investment of the assets will have regard to the above characteristics of the Scheme.

4.2 Asset Allocation

The Trustee believes that one of its most important investment decisions is the proportion of assets to be invested in each of the major asset classes. Having considered advice from the Investment Adviser, and also having due consideration for the objectives, the liabilities of the Scheme and its attitude to risk, the Trustee has decided upon the following strategic asset allocation:

Asset Class	%
Off Risk	30
Collateral - Index Linked Gilts*	30
On Risk	70
UK Equity Structured Products*	21
Global Broad Bonds	18.5
Dynamic Asset Allocation	18.5
Alternatives Mandate (discretionary)	12

* The collateral pools for the UK Equity Structured Products and the Liability Hedge have been set up so that they can be used for either product.

On a short term basis, a small allocation to cash may be held on a tactical basis.

The Scheme has entered into a series of swap contracts (liability hedge) to reduce risk by partially matching the change in asset values to the change in liabilities in terms of interest rate and inflation. This should result in a smoother level of funding over time. The Liability Hedge will cover up to 85% of the Scheme's exposure to interest rates and 85% of the exposure to inflation on its liabilities. Index Linked Gilts are held by a custodian to be available to provide collateral for the Liability Hedge as required by the counterparties to the Liability Hedge from time to time and are an integral part of the Liability Hedge strategy.

The Scheme has implemented two Structured Equity arrangements with 3-year terms ("an Equity Derivative Overlay Strategy or EDOS"). It is made up of option contracts on an Equity Index and Index Linked Gilts that are available to provide collateral. The option contracts have been implemented to control the Scheme's exposure to a fall in the relevant Equity Index. The actual structure of these may be changed by the Trustee to adapt to market conditions from time to time.

4.3 Rebalancing

The Trustee, in conjunction with the Investment Adviser, will monitor the actual asset allocation of the Scheme. If the actual allocation moves further than 5 percentage points from the strategy shown above, then the Trustee will make a decision as to whether to switch funds between classes to move back closer to the strategic allocation after consideration of advice.

New money will be invested into the Cash Fund (or disinvested as required for cashflow) for the time being.

Rebalancing of the Liability Hedge and the UK Equity Structured Products will be managed by P-Solve Investment Limited after discussion with the Trustee.

4.4 Rates of Return

Given the Scheme has a liability hedge in place, the assets need to generate a return relative to cash. The Investment Adviser expects the on-risk assets to achieve a conservative best estimate return which supports the LBP + 2.1% p.a. target.

4.5 Diversification

The choice of asset classes is designed to ensure that the Scheme's investments are adequately diversified and liquid. The Trustee monitors the strategy on an ongoing basis and will carry out a complete review from time to time to ensure that they are comfortable with the level of diversification and liquidity being achieved.

4.6 Suitability

The strategy is kept under regular review and is generally considered at each quarterly meeting with consideration of its ongoing suitability following each triennial Actuarial Valuation. In so doing, the Trustee considers, and takes advice on, a full range of suitable investment opportunities that could potentially meet the investment objective, paying due regard to the potential risks of investment. The Trustee believes that, on these measures, the asset allocation strategy is suitable.

4.7 Liquidity

The majority of the Scheme's assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustee so requires.

5 Strategy Implementation

The Trustee has delegated the day-to-day investment of the Scheme's assets to professional Managers.

The Trustee has chosen in general to appoint active managers (which includes the use of active asset allocation in some cases) unless it deems that a particular market would be better served by passive management, for example to reduce the risk of significant underperformance or to achieve greater diversification.

The Trustee has selected pooled funds for the investment of the Scheme's assets, with the exception of the Equity Structured Products and the Liability Hedge, to achieve good diversification given the size of the assets invested for each mandate. A pooled fund is one where the Trustee, along with other investors, buys units in a larger pool of investments run by the Manager. The Equity Structured Products and the Liability Hedge are bespoke structured derivative products.

5.1 Mandates and Performance Targets

The Trustee has received advice on the appropriateness of each Manager's targets, benchmarks and risk tolerances from the Investment Adviser and believes them to be suitable for the Scheme.

5.2 Manager Appointments

The Trustee has agreed the scope of the Managers' activities, investment objectives, investment restrictions, their charging bases and other relevant matters either under an Investment Management Agreement which appoint the Manager as a discretionary investment manager or in terms of the offering documents of the investment fund provided by the Manager to the Trustee, which include the fund prospectus and subscription documents (the "Fund Offering Documents").

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk given the circumstances of the Scheme. The range of, and any limitation to, the proportion of the Scheme's assets held in any asset class will be determined by the Trustee who will instruct each Manager in accordance with this decision or the Manager in terms of the relevant investment management agreement, subject to the restrictions and investment objectives more fully set out in the investment management agreement. This may be revised from time to time according to appropriate investment strategy advice provided to the Trustee and having regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

The Trustee has taken advice from the Investment Adviser to ensure that the Managers are suitable for the Scheme, given its objectives.

5.5 Custody

Where the assets are held in pooled funds each Manager has its own custodian arrangements, which are not directly appointed by the Trustee. The Trustee has delegated the selection of a custodian for the collateral for the Liability Hedge and Equity Structured Products to the Manager, and KAS Bank has been appointed by the Trustee for this service. Details of the custodians can be found in Appendix B.

6 Monitoring

6.1 Managers

The Trustee will monitor the performance of the Managers against the agreed performance objectives as set out in the Investment Management Agreement or Fund Offering Documents. This process would normally consider rolling periods of 3 years.

The Trustee, and Investment Adviser on behalf of the Trustee, holds regular meetings with the Managers to satisfy themselves that the Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme. In any event the Trustee will formally review the progress and performance of the Managers every year. As part of this review, the Trustee will consider whether or not each Manager:

- Is carrying out his work competently, the Trustee will evaluate the Manager based on, amongst other things:
 - The Manager's performance versus their respective benchmarks.
 - The level of risk within the portfolios given the specified risk tolerances.
- Has regard to the need for diversification of investment holdings in accordance with the Investment Management Agreement or Fund Offering Documents.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising his powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

6.2 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

6.3 Other

The Trustee will review this SIP triennially, or, without delay, following any changes to the investment strategy, and modify it together with the relevant Advisers and the Principal Employer if deemed appropriate. There will be no obligation to change this SIP, any Manager or Adviser as part of such a review.

7 Fees

7.1 Managers

The Trustee will ensure that the fees paid to the Managers are consistent with levels typically available in the industry and the nature of services provided. The current fee basis for each of the Managers is set out in Appendix C.

The Trustee is aware of each Manager's policy regarding soft commission arrangements. The Managers disclose their fees, commissions and other transaction costs in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

7.2 Advisers

Fees paid to the Advisers have been agreed as an annual rate of 0.0425% of asset value at 30 September the previous year. The fee encompasses all investment meetings, strategic advice and manager selection. Any fees for special projects outside of these advisory services are agreed with the Trustee in advance.

7.3 Custodian

Fees are paid to the custodian for the collateral underlying the liability hedge and the EDOS's based on a percentage of assets under management and per transaction.

7.4 Performance Measurer

There is no performance measurer appointed by the Trustees.

8 Risks

The Trustee recognises a number of risks involved in the investment of assets of the Scheme. These risks, and how they are measured and managed, include:

- I. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
 - A liability benchmark portfolio or 'LBP' is used as a proxy for the liabilities (as described in Section 3) in order to measure the approximate changes in the liabilities (due to changes in inflation and interest rates only). The Trustee monitors this change relative to the change in asset values on a quarterly basis. The LBP is reviewed following each triennial Actuarial Valuation.
 - The Trustee also recognises the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than implied by the Actuarial Valuation.
 - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the Scheme Objective as set out in Section 3 and can therefore be assessed as part of the quarterly review process. The Trustees also undertake an annual Value at Risk analysis as part of their annual actuarial update to understand the potential increase on deficit in a 1 in 20 year scenario.
 - This risk is also monitored through regular actuarial and investment reviews.
 - A Liability Hedge has been implemented specifically to reduce this risk.
- II. **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
 - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
 - The use of instruments and strategies designed to control the extent of downside exposure such as the Equity Structured Products which have been structured to reduce exposure to falls in UK equity.
 - The use of passive management for asset classes where the downside risk of active management is considered too high.
 - Regular monitoring of the active Managers' performance, processes and capabilities with respect to their mandate, and by use of more than one manager to avoid over exposure to one organisation.
- III. **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across several countries. This is measured by ensuring that the Scheme is not overexposed to a particular country, and the asset allocations of the overseas equity Managers are examined on a regular basis.
- IV. **Risk of inadequate diversification or inappropriate investment** – the risk of unsuitable investment activity by the Managers. This is managed by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector. The Managers' Investment Management Agreement or Fund Offering Documents contain a series of restrictions to measure and limit the risks from each individual investment and prevent unsuitable investment activity.

- V. **Scheme governance structure risk** – the risk of lost return through insufficient structure around investment decision making. The Trustee, where necessary, convene between meetings – by conference call or otherwise – in order to action decisions more quickly than the quarterly meeting cycle would allow. In addition the Trustee have appointed, for a proportion of the assets, managers who have the ability to alter the investments to take into account their views on the markets.
- VI. **Default risk** – addressed through the restrictions for the Managers through the Investment Management Agreement or Fund Offering Documents, in particular exposure to corporate, high yield or emerging market bonds are managed using diversified portfolios of such bonds and active management in order to give the manager discretion about which bonds to hold.
- VII. **Organisational risk** – the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Managers and Advisers.
- VIII. **Counterparty risk** – the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.
- IX. **Cash flow risk** – addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.
- X. **Liquidity risk** – investing in sufficient assets, which are realisable with sufficient notice to meet the Scheme’s cash flow requirements.
- XI. **Sponsor risk** – the risk of the Principal Employer ceasing to exist or having insufficient resources to meet the agreed recovery plan, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.
- XII. **Transition risk** – the risk of paying unnecessary costs or being at increased risk of adverse market movements, when transitioning assets from one manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion with the advice of the Investment Adviser or by using a specialist transition manager, if appropriate.

The Trustee will regularly review how these risks are measured and managed and is assisted in this by its Investment Adviser and by regular training.

9 Other Issues

9.1 Corporate Governance

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the Manager on their behalf having regard to the best financial interests of the beneficiaries. Where this primary consideration is not prejudiced, the Trustee would expect the Manager to take account, where appropriate, of social, environmental and ethical factors in the exercise of such rights.

The Trustee has received copies of the Managers' published corporate governance policies, which explain the Managers' approaches to Socially Responsible Investing ("SRI") and voting rights and the Trustee is satisfied with the policies as described. Information on corporate governance actions is reported in the Managers' performance reports, which enables the Trustee to monitor this.

9.2 Social, Environmental and Ethical Issues

The Pensions Act requires Trustees to include a statement on the extent to which (if any) social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments.

The Trustee believes its duty is to act in the best financial interest of the Scheme's beneficiaries. In order to achieve appropriate diversification, the Scheme's assets and contributions are invested collectively with those of other similar pension schemes in relevant pooled funds of the Managers. This pooling of investments prevents the Trustee from setting any specific social, environmental or ethical investment policy. Information on any uses of the policies on these aspects may be reported in the Managers' performance reports, which enable the Trustee to monitor this.

9.3 Additional Voluntary Contributions (AVCs)

Until 30 September 2007 members of the Scheme had the opportunity to pay AVCs, which are invested and used to increase pension benefits at retirement, or in the event of death. The Trustee established the arrangements under which members may choose to invest their contributions. The Trustee's objectives are to provide members with the opportunity to maximise, as far as is reasonable and sensible, the value of the member's contributions plus investment returns, within the constraints imposed by the member's choice of investments, and to provide members with a reasonable choice of investment.

The current AVC providers are as follows:

- Santander UK plc
- Prudential Assurance
- The Standard Life Assurance Company

Appendix A – Responsibilities

Trustee

The Trustee of the Scheme is responsible for, amongst other things:

- I. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
- II. Assessing the quality of the performance and process of the Managers by means of regular reviews of the investment results and other information, through meetings and written reports, in consultation with the Investment Adviser.
- III. Assessing the quality of the performance of the Advisers.
- IV. Consulting with the Employer when reviewing investment policy issues.
- V. Reviewing at least triennially the content of the SIP and for modifying it if deemed appropriate, in consultation with the Advisers.
- VI. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
- VII. To determine investment objectives for the Scheme.
- VIII. To obtain advice and to make decisions in the discharge of its investment responsibilities, in accordance with the objectives stated in the Scheme's SIP.
- IX. To implement any changes in investment strategy, undertake consultation and ensure the implementation of the Scheme's agreed strategy.
- X. To appoint, dismiss, or alter the terms of appointment of any investment manager or custodian.
- XI. To instruct transfer of assets between investment managers.
- XII. To instruct transfer of assets into or out of the Scheme.
- XIII. To monitor the investment arrangements and the performance of investments and Managers.
- XIV. To appoint and dismiss Managers, custodians or advisers.
- XV. To consult with the Sponsor on a regular basis.

Managers

The Managers will be responsible for, amongst other things:

- I. At their discretion, but within the guidelines set out in the Investment Management Agreement or Fund Offering Documents, implementing changes in the asset mix and selecting and undertaking transactions in specific investments.
- II. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:
 - A report of the strategy followed during the quarter
 - The rationale behind past and future strategy
 - A full valuation of the assets
 - A transaction report
 - Cash reconciliation

- Any corporate actions taken

III. Informing the Trustee immediately of:

- Any breach of this SIP, if an Investment Management Agreement is in place
- Any material change in the knowledge and experience of those involved in the Scheme's investments
- Any breach of investment restrictions either agreed between the Trustee and the Manager from time-time or as set out in the Fund Offering Documents.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

- I. Participating with the Trustee in reviews of the SIP.
- II. Advising the Trustee how any changes in the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.
- III. Advising the Trustee of any changes in the Scheme's Managers that could affect the interests of the Scheme.
- IV. Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme.
- V. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation strategy and current Managers and selection of new Managers as appropriate.
- VI. Undertaking reviews of and advising the Trustees on the investment related governance aspects of the Scheme.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

- I. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.
- II. Performing the triennial and interim "annual funding reviews" valuations and advising on the appropriate contribution levels.
- III. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
- IV. Advising the Trustee and Investment Adviser of any changes to Scheme benefits, significant changes in membership, contribution levels and funding levels.

Legal Adviser

The Legal Adviser will be responsible for, amongst other things:

- I. Liaising with the Trustee to ensure legal compliance including, those in respect of investment matters.

Appendix B – Managers Performance Targets

The Managers are as follows:

- P-Solve Investments Limited
- Leadenhall Capital Partners
- PIMCO Europe Ltd Global
- Pinebridge Investments Limited
- Aviva Investors UK Fund Services Limited
- Phoenix Investment Adviser LLC
- River and Mercantile Asset Management

The mandate and objectives of the Managers are as follows (and additional detailed information on the mandates and restrictions is provided in the Appendix C):

P-Solve Investments Limited – Alternatives Discretionary Mandate

The terms of engagement are set out in their Investment Management Agreement.

The investment objective of the Alternatives mandate is to target at least a return of 5% in excess of the compounded 3 month LIBOR return. P-Solve Investments Limited will be mandated to invest in a portfolio of alternative assets within the agreed asset class restrictions tabled as follows:

	Min (%)	Max (%)
Catastrophe Insurance Linked Securities	0	50
Mortality Insurance Linked Securities	10	25
Property	0	50
Stressed Credit	0	25
Cash	0	50
Illiquid	0	75

P-Solve Investments Limited – Liability Hedge Mandate

The terms of engagement are set out in their Investment Management Agreement.

The investment objective of the Liability Hedge is to reduce 85% of the interest rate risk and 85% of the inflation risk inherent in the nature of the Scheme’s obligations to its members under the Scheme.

Specifically the measure of inflation used for the inflation dependent swaps will be the Retail Price Index (all items) ('RPI') as published by the Office of National Statistics in the United Kingdom.

P-Solve Investments Limited – Structured Equity Product Mandate (“EDOS 6”)

The terms of engagement are set out in their Investment Management Agreement.

The investment objective of EDOS 6 is a return of at least 6.00% p.a. in excess of the compounded 6 month Sterling LIBOR return, through investment of the EDOS Cash Balance and exposure to the FTSE 100 Price Index using Derivative Transactions. The term of the product is three years.

Achieving this investment objective is subject to the FTSE 100 Price Index rising to the required level and the EDOS Cash Balance achieving 6 month Sterling LIBOR return.

	Index value
Level at inception of product	6889
Required level at expiry	7612

P-Solve Investments Limited – Structured Equity Product Mandate (“EDOS 7”)

The terms of engagement are set out in their Investment Management Agreement.

The investment objective of EDOS 7 is to achieve a return of at least 8.61% p.a. in excess of the compounded 6 month Sterling LIBOR return, through investment of the EDOS Cash Balance and exposure to the FTSE 100 Price Index using Derivative Transactions. The term of the product is three years.

Achieving this investment objective is subject to the FTSE 100 Price Index rising to the required level and the EDOS Cash Balance achieving 6 month Sterling LIBOR return.

	Index value
Level at inception of product	5872
Required level at expiry	7143

PIMCO Europe Ltd. – Broad Bonds

The terms of engagement are set out in the Fund Offering Documents and other associated documents where relevant.

The aim of the PIMCO Diversified Income Fund is to outperform a composite index by 1% p.a. gross of fees over 3 year rolling periods where the composite index is comprised of 100% GBP hedged:

- 1/3 Barclays Capital Global Aggregate Credit Component
- 1/3 BofA Merrill Lynch Global High Yield BB-B Rated Constrained
- 1/3 JPMorgan EMBI Global.

Pinebridge Investments Ltd., River & Mercantile Asset Management and Aviva Investors Ltd. – Dynamic Asset Allocation Mandates

The terms of engagement are set out in the Fund Offering Documents and other associated documents where relevant.

The Pinebridge Global Dynamic Asset Allocation Fund (“DAAF”) aims to outperform 3-month LIBOR by 5% p.a. net of fees

The River and Mercantile Dynamic Asset Allocation Fund (“DAAF”) aims to outperform 3-month LIBOR by 4% p.a. net of fees with less than 2/3 of equity volatility.

The Aviva Investors Multi-Strategy Target Return Fund (“AIMS”) aims to outperform 3-month LIBOR by 5% p.a. with 50% of the volatility in equity markets.

Custodian Details

Manager	Custodian
Legal and General Investment Management	Citibank NA
Pinebridge Investments Ltd.	State Street Custodial Services (Ireland)
River and Mercantile Asset Management	Bank of New York Mellon
PIMCO Europe Ltd.	Brown Brothers Harriman Trustee Services (Ireland)
P-Solve Investment Ltd.	KAS Bank
Aviva Investors UK Fund Services Limited	Citibank NA

Appendix C – Scheme Investment Principles

The Trustees have identified the following core underlying investment principles around which the current investment strategy decision-making is based.

1. Focus on liabilities (to meet the cash flow);
2. There are no “risk free” assets;
3. First seek to avoid losses (through diversification/hedging);
4. Being nimble is key;
5. Seek to buy/sell at the right point of the curve;
6. Allocate to return seeking assets in proportion to the opportunity (subject to 3);
7. For investments over £10 million, the Scheme will not invest in a fund where they account for more than 10% of the fund’s assets or there are fewer than 20 other investors

Any changes to these underlying principles should result in a review of the implementation of the investment strategy.