Johnson Matthey Employees Pension Scheme

Defined Benefit Sections

Statement of Investment Principles

September 2021

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Section 1: Introduction

Scheme details

1.1. This document describes the investment policy pursued by the Johnson Matthey Employees Pension Scheme (JMEPS, the "Scheme") Trustee.

1.2. The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. This SIP is only applicable to the Defined Benefits ("DB") section of the Scheme and the Elements Section (which provides benefits on both a defined benefit and defined contribution basis depending on the level of membership chosen by the member).

1.3. The Scheme is a registered pension scheme under the Finance Act 2004.

Pensions Acts

1.4. Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustee is required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles adopted by the Trustee of the Scheme.

1.5. Before preparing this document, the Trustee has consulted Johnson Matthey ('the Sponsor') and the Trustee will consult the Sponsor before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.6. In drawing up this document, the Trustee has sought advice from the Scheme's DB Investment Consultant, Isio. Before preparing this document the Trustee has had regard to the requirements of Section 36 of the Pensions Act 1995 concerning diversification of investments and suitability of investments. The Trustee will consider those requirements on any review of this document, or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.7. In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies.

The Myners review

1.8. The Myners review was a wide ranging report into the investment decision making process of UK pension fund Trustees. In accordance with the process envisaged by the Myners Principles on Institutional Investment (first published in 2001 and revised in 2008) the Trustee will identify appropriate investment objectives and regularly measure the success of meeting those objectives.

Elements

Occupational Pension Schemes (Investment) Regulations 2005

1.9 When choosing investments, the Trustee and the investment managers are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (Regulation 4) and the principles contained in this statement.

Section 2: Division of Responsibilities

2.1. The Trustee has ultimate responsibility for decision-making on DB investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

Trustee

2.2. The Scheme Trustee's responsibilities include:

(i) Reviewing the content of this Statement of Investment Principles and modifying it if deemed appropriate, in consultation with the Investment Consultant and the Sponsor.

(ii) Developing investment objectives and a work plan for the Scheme.

(iii) Developing a suitable investment strategy based on the investment objectives.

(iv) Setting terms of reference for the Trustee and appointing the members of the Trustee Board.

(v) Setting Terms of Reference for the Investment Sub-Committee, appointing members of the Investment Sub-Committee and holding the Investment Sub-Committee to account.

(vi) Assessing its own performance and that of its advisors and delegates in fulfilling the requirements of the work plan.

(vii) Reporting to Scheme members as appropriate on the content of and compliance with this statement.

(viii) Monitoring investment arrangements on an ongoing basis.

(ix) Appointing, discharging and reviewing the custodian.

(x) Appointing, discharging and reviewing the underlying investment manager(s).

(xi) Assessing the quality of the performance and processes of the investment managers by means of regular reviews of the investment results and other information, in consultation with the Investment Consultant.

(xii) Monitoring and considering the appropriateness of the investment strategy, having regard to integrated risk management (i.e. investments, funding and covenant) and the need for diversification of investment so far as is appropriate and to the suitability of investments.

Investment Sub-Committee

2.3. The Trustee has established an Investment Sub-Committee in order to both ensure that investment matters receive a sufficient degree of attention and to improve decision making. The implementation and monitoring of the strategy determined by the Trustee has been delegated to the Investment Sub-Committee.

Investment managers

2.4. The appointment of each investment manager is governed by an agreement, which lays out the detailed terms of the appointment. In addition to their contractual obligations, the DB investment managers' responsibilities include:

(i) At its discretion, but within the guidelines for each individual mandate, implementing changes in the asset mix and selecting securities within each asset class.

(ii) The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Trustee.

(iii) Inform the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Scheme and managed by the investment manager or an associated company.

(iv) Inform the Trustee of any changes in the personnel involved in managing the Scheme’s assets.

(v) Inform the Trustee of any changes in ownership of the investment management company or its parent.

(vi) Provide the Trustee with regular reporting including monthly statement of the assets and quarterly performance updates.

Investment Consultant

2.5. The Investment Consultant's responsibilities for the Main Section include:

(i) Participating with the Trustee in reviews of this Statement of Investment Principles.

(ii) Undertaking project work as required including transitions and implementations, strategy reviews and reviews of the investment managers.

(iii) Advising the Trustee on suitable investment objectives.

(iv) Advising on the suitability of the Scheme’s investment strategy given the funding plan of the Scheme and the financial characteristics of the liabilities on a triennial basis.

(v) Advising the Trustee on any liability hedging strategy.

(vi) Advising the Trustee on:

- how any changes in the investment managers' organisations/personnel developments could affect the interests of the Scheme

- how any changes in the investment environment could either present opportunities or issues for the Scheme

(vii) Undertaking education for the Trustee on DB investment matters, as appropriate.

(viii) Providing general advice in respect of the Scheme's investment activities.

(ix) Providing views on the investment managers, the respective strategies employed by the Scheme, as part of the Trustees' quarterly monitoring of their performance.

2.6. The Trustee will assess the performance of the Investment Consultant on an annual basis. In the absence of quantitative market data for this purpose, the review will be on a qualitative basis.

Custodians

2.7. The Trustee has appointed a global custodian for the safekeeping of the segregated assets entrusted to it. The global custodian will supply the Trustee with quarterly (and annual) statements of the assets, cash flows and corporate actions. The custodian will process all dividends, interest payments, results of corporate actions and tax claims promptly, and provide all administration services relating to the assets.

2.8. The Bank of New York Mellon is the global custodian for segregated mandates. The appointment of Bank of New York Mellon is governed by a Service Agreement. This agreement sets out the terms and conditions including arrangements for sub-custodians, quality standards required and the fee structure.

2.9. The custody of the Scheme's pooled fund assets is delegated by the investment managers to professional custodians via the use of pooled vehicles.

Section 3: Objective and Investment Strategy (Main section)

Investment Objective

3.1. The Trustee's objective is to invest the Main Section's assets in the best interests of the members and beneficiaries, and to pay for current benefits out of investment income as far as practical, provide for future accrual of benefits through capital growth and future contributions and reduce any funding deficit. This is done by setting a strategy that relies on a balance between contributions from the Sponsor and investment returns to achieve this goal, with due regard to risk.

3.2. The Statement of Funding Principles confirms the Trustee's intention that the invested assets should be sufficient to cover 100% of the "Technical Provisions". For these purposes the Technical Provisions are the value of the accrued benefit liabilities as measured using prudent assumptions set by the Trustee after taking advice from the Scheme's Actuary, Mercer Limited.

3.3. Following advice from the Scheme's investment consultant, the Trustee of the Scheme has determined a strategic investment objective to achieve 100% funding in the short to medium term, expected to be c.2026 using a discount rate of Gilts + 0.50% p.a.. At a minimum, this objective will be reviewed by the Trustee following each Triennial Actuarial Valuation.

Investment Strategy

3.4. The Trustee has agreed to a strategy which is expected to achieve full funding on a gilts+0.5% p.a. basis.

3.5. The interim strategic benchmark allocation as at September 2021 set by the Trustee was 75.0% in Matching assets and 25.0% in Growth assets.

Asset class	Benchmark allocation (%)
World Developed equities (passive)	12.4
Diversified Growth	6.6
Property	4.0
Infrastructure	2.0
Total Growth	***25.0***
Multi-Asset Credit	6.0
LDI (Index-Linked Gilts)	36.0
Buy and Maintain Credit	22.5
Active Credit	10.5
Total Matching	***75.0***
TOTAL	**100.0**

The Trustee is currently reviewing the overall investment strategy and therefore whilst this process is ongoing there may be more deviation from the target investment strategy at both the Growth / Matching level and the individual asset class level than is usual. This review is being undertaken in conjunction with the 2021 actuarial valuation and is likely to be completed by mid 2022.

The Trustee has agreed the following rebalancing policy in order to take account of market movements. In the event of market movements causing the Matching or Growth portfolios decreasing or increasing by 2% above or below the target allocation (for a given funding position), the Investment Committee will discuss whether to rebalance back to the strategic asset allocation (see Appendix A). In the event of the Growth / Matching range being breached there is no requirement to rebalance back within the ranges.

3.6 The strategic benchmark is expected to generate a return consistent with that assumed, by the Scheme Actuary, as part of the Actuarial Valuation.

3.7 The Trustee has a liability hedging strategy that covers 90% of the liabilities as measured on a Gilts + 0.50% p.a. basis (target liabilities).

3.8 The Trustee has allowed the use of leverage within the Scheme for hedging purposes as they believe leverage will be at a manageable and sensible level.

Growth Portfolio

The Growth assets are expected to return Gilts +2.7% p.a. (based on prudent assumptions in the 2018 actuarial valuation) to achieve the Trustee's objectives and have been invested in a manner to achieve this whilst aiming to manage risk. More detail on the allocation of the Growth portfolio is detailed in the Appendix.

Matching portfolio

The Matching assets are invested to better mirror the inflation and interest rate sensitivities of the deferred and pensioner liabilities and are expected to achieve a return of Gilts + 0.5% p.a. (based on prudent assumptions in the 2018 actuarial valuation). More detail on the allocation of the Matching portfolio is detailed in the Appendix.

Section 4: Objective and Investment Strategy (Elements Section)

Investment Objective

4.1. The investment objective (at the Company's request) is to invest in assets that best match the liabilities, pay for benefits out of investment income, provide for future accrual of benefits through capital growth and future contributions and reduce any funding deficits.

Investment Strategy

4.2. The strategic benchmark allocation set by the Trustee for the Elements Section is show below.

Benchmark Allocation	(%)
World Developed Equities (Passive)	30.0
Over 15 Years (AAA-AA-A) Passive Corporate Bonds	35.0
All Stocks (AAA-AA-A) Passive Corporate Bonds	35.0
Total	**100.0**

4.3 The strategic benchmark is expected to generate a return commenserate with that assumed, by the Scheme Actuary, as part of the most recent Actuarial Valuation.

4.4 The Trustee is currently reviewing the overall investment strategy for the Elements Section in conjuction with the 2021 actuarial valuation.

Section 5: Other investment policies

The Trustee also faces other requirements relating to investment, be they legislative or considered best practice.

Responsible Investment and Corporate Governance

5.1. The Trustee believes that environmental, social and governance ("ESG") factors can have a financial impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

5.2. The Trustee has given the appointed investment managers full discretion when evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme's investments. This includes undertaking engagement activities, in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee will review the policies of an investment manager ahead of appointment and will review them on an annual basis as part of the Implementation Statement preparation process.

5.3. The Trustee has not set any ESG related investment restrictions on the appointed investment managers, but may consider this in future.

5.4. The Trustee considers, amongst other factors, how ESG, climate change and stewardship is integrated within investment processes in appointing, monitoring and withdrawing from investment managers. Monitoring is undertaken on a regular basis and this makes use of the investment consultant's ESG ratings. This is documented bi-annually.

Given the objectives of the Scheme, the Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financial matters. The Trustee does not explicitly consult members when making investment decisions but updates members via JMEPS News and by making a copy of the Statement of Investment Principles available on request.

Rights attached to investments

5.5. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

5.6. The Trustee periodically reviews reports from investment managers to ensure that the policy outlined in section 5.2 is being met.

General Restrictions

5.7. No direct investment in segregated arrangements is permitted in securities issued by the Company, or property owned by or leased to the Company. The agreement with each investment manager may contain more detailed restrictions that have been agreed and can only be changed with the consent of the Trustee.

Diversification

5.8. The Scheme's strategic asset allocation (see Section 4.2 and Appendix A) is designed to ensure that its investments are adequately diversified. In addition, at a stock selection level, any actively managed portfolios should avoid undue concentration.

Liquidity

5.10 The Trustee regularly reviews the liquidity of the Schemes' assets to ensure that it has sufficient cash available to meet outgoings as they fall due. The Trustee is comfortable in taking a modest degree of liquidity risk within the strategic benchmark where assets are expected to generate relatively secure income to help meet cash-flow requirements.

Suitability

5.9. The Trustee has taken advice from the Investment Consultant to ensure that the investments are suitable for the Main Section of the Scheme. The Scheme continues to monitor, and take advice on, the various investments on an ongoing basis.

Fee basis

5.10. The Trustee is aware of the importance of fees for the Scheme over long periods and therefore take into account the level of fees when selecting investments, and seek to negotiate improved terms where possible. The Trustee will keep this under periodic review.

Section 6: Investment Manager Arrangements

Investment Manager Structure

6.1. The Trustee's policy is to obtain ongoing advice on whether the investments continue to be satisfactory as required by the Pensions Act and that the various investment managers continue to be appropriate.

6.2. The Trustee recognises that the Myners Code recommends that investment managers should be given freedom to use financial instruments, unless specific circumstances of the Trustee precludes their use. The Trustee is satisfied that suitable freedom is given to each manager.

6.3. The Trustee has delegated the day-to-day management of the assets to the investment managers.

6.4. Within individual mandates, the investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments, subject to the relevant appointment documentation and pooled fund governing documents.

6.5. Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

6.6. The Trustee considers the method of remunerating investment managers to be consistent with incentivising them to make decisions based on assessments of medium to long term financial and non-financial performance of the issuer of debt or equity. The Trustee believes that these methods encourage investment managers to engage with issuers to improve their performance in order to grow invested capital over the medium to long-term.

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

6.8. When selecting and appointing investment managers, the Trustee will take into account how ESG, climate change and stewardship are integrated within the managers’ investment process. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

6.9. The Trustee monitors investment managers' sustainable investment practices, including the approach to ESG integration within the investment process, as part of its ongoing manager monitoring activities. These include, but are not limited to, the use of the Trustees' advisers ESG ratings for the strategies held as well as questioning the integration of ESG and climate change into their investment processes as part of its annual manager day meeting.'

6.10. If the investment objective of a particular fund changes or the ESG rating falls, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

6.11. Where the Trustee invests in pooled investment vehicles, it accepts that it cannot directly specify the risk profile and return targets of the managers, but appropriate mandates can be selected to align with the overall investment strategy.

Performance Objectives

6.12. Whilst the Trustee is not involved in each investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review the ongoing suitability of appointments.

6.13. The investment managers set performance objectives and risk tolerances for each of the Scheme's pooled funds. The Trustee considers these investment performance objectives to be appropriate to assess the performance of each fund.

6.14. The Trustee has agreed an appropriate performance target with the investment managers for segregated portfolios.

6.15. The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.

6.16. The Trustee receive investment manager performance reports on a quarterly basis, which present performance information over 3 month, 1 year, 3 year and 5 year time periods. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and/or against the managers' stated target performance (over the relevant time period). The Trustees' focus is primarily on long-term performance but short-term performance is also reviewed.

6.17. The Trustee has a meeting with each manager during the year to receive a presentation on their performance, discuss other investment matters (such as integration of ESG and climate change into the investment process and voting and engagement activities) and raise questions where actions appear to be out of line with the Scheme's stated policies.

6.18. The Trustee’s focus is on long-term performance but they may review a manager’s appointment if:

a) There are sustained periods of underperfomance;
b) There is a change in the portfolio manager or portfolio team;
c) There is a change in the underlying objectives of the investment manager;
d) There is a significant change to the investment consultant’s rating of the manager.

Fees

6.19. The Trustee has secured reductions on the fees charged by some of the Scheme’s investment managers; the others are in line with the manager’s stated fee scale.

6.20. The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management. Where a performance fee is payable, it relates to returns generated over the long term and subject to an agreed hurdle rate to discourage investment managers’ from taking short-term focussed investment decisions.

6.21. If managers are not meeting performance objectives, or investment objectives for mandates have changed, the Trustee may ask managers to review the Annual Management Charge.

6.22. The Trustee will pay fees to Isio on a monthly fixed fee basis or based on time cost/agreed budgets for work that falls outside the remit of the fixed fee.

Portfolio Turnover Costs

6.23. The Trustee does not currently monitor portfolio turnover costs because they are subsumed in the net of fees performance figures and that is the Trustee’s main focus.

6.24. The Trustee receives MiFID II reporting from their investment managers but do not analyse the information. However, the Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager’s specific portfolio turnover range in the investment guidelines or prospectus.

Manager Turnover

6.25. The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. For open-ended funds, there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

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

b) The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

6.26. For closed-ended funds, the Scheme is invested in a manager's fund for the lifetime of the fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the fund's governing documentation. In order to maintain a strategic allocation to an asset class, the Trustee may choose to stay with a manager in a new vintage of the fund or appoint a different manager.

Section 7: Risk Management

7.1. The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk.

Set out below are the principal investment risks that the Trustee believe may be financially material to the Scheme, and the Trustee's approach to measuring and managing them over the Scheme's anticipated lifetime.

(i) 'Inflation risk and interest rate risk'. Inflation risk exists if the projected cash flows from the assets have different linkages to the inflation from the projected liabilities. Interest rate risk exists if present value of the projected cash flow profile of the assets held differs from that of the projected liabilities.

A portion of the Main Section's assets are in a Matching portfolio which aims to hedge a proportion of the liabilities.

(ii) 'Sponsor risk' – this relates to the possibility of failure of the Company.

At all times, the Trustee has regard for the strength of the Company's covenant. The Company and Trustee are engaged in regular dialogue and the Trustee receives a confidential review of the financials of the business (including future projections) at least once a year. In addition, the Company's credit rating, as assessed by independent agencies Dun & Bradstreet and Standard & Poor, is regularly monitored.

(iii) 'Market risk' – this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Investment markets are inherently risky, which the Trustee mitigates to some extent by diversification. The Trustee diversifies the Main Section investment across different asset classes (equities, diversified growth funds, property, infrastructure, multi-asset credit, government securities and corporate bonds) and spreads their equity investment in different developed geographical markets (in line with market cap weightings).

(iv) '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.

(v) 'Manager risk' - the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.

This is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment processes.

(vi) 'Liquidity risk' – this arises from holding assets that are not readily marketable and realisable.

There is a regular comparison of the level of cashflow required by the Scheme over a specified period with the level of cash held. The Trustee invests in assets of sufficient liquidity such that cash can be raised to pay benefits as they fall due.

The Scheme also invests in illiquid assets such as property and infrastructure. Given the Scheme's long-term investment horizon, the Trustee believes that a degree of liquidity risk is acceptable as long as there is a premium to be received from taking such risk.

(vii) 'Custodian risk' - is measured by assessing the creditworthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

(viii) 'Currency risk' - this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

This risk is measured by observing the difference between hedged and unhedged returns. The Main Section's overseas developed equity assets are currently 50% hedged. The Trustee reviews the strategic case for the currency hedge periodically.

(ix) 'Volatility risk' – concerns the stability of the market value of assets such as equities and property, where the price achievable may be particularly affected by short term sentiment and is not certain until the point of sale. This is measured by observing the relative and absolute volatility of the overall investment strategy relative to the liabilities.

This is managed through the selection of broad-based funds that show internal diversification, as well as diversifying by asset class and investment type.

(x) Regulatory risk – arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk.

This is measured by the level of concentration of any one market leading to the risk of adverse influence on investment values as a result from regulatory changes. This is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

(xi) 'Environmental, Social and Governance risk'. This relates to these issues having a detriment on financial returns. This includes climate change risk whereby the returns of certain asset classes, sectors and companies may be significantly affected by climate change.

Section 8: Compliance with and Review of this Statement

Compliance with this Statement

8.1. The Trustee will monitor compliance with this Statement annually.

Review of this Statement

8.2. The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.

8.3. This review will occur no less frequently than every three years or at the time of any changes to the investments chosen. Any such review will be based on written expert investment advice and the Sponsor will be consulted.

Elements

Appendix A: Strategic Asset Allocation (Main Section)

Growth Portfolio (25% of total Section's assets)

	Investment Style	Benchmark Allocation (%)
World Developed Equities (50% currency hedged)	Passive	**49.6**
Diversified Growth	Active	**26.4**
Property	Active	**16.0**
Infrastructure*	Active	**8.0**
Total		**100.0**

* The strategic allocation to infrastructure will be achieved over time as and when capital is called by the manager.

Matching Portfolio (75% of total Section's assets)

Credit Portfolio (33% of total Section's assets)

	Investment Style	Benchmark Allocation (%)
Corporate Bonds		
Investment Grade All Stocks	Buy and Maintain Credit	34.1
Corporate & Collateralized All Stocks	Active	31.8
Over 15 years (AAA-AA-A)	Buy and Maintain Credit	34.1
Total		**100.0**

LDI Portfolio (36% of total Section's assets)

Real and Inflation Hedging Instruments		**100.0**

Multi-Asset Credit Portfolio (6% of total Section's assets)

	Investment Style	Benchmark Allocation (%)
Multi-Asset Credit	Active	**100.0**

Elements

Appendix B: Investment Managers (Main section)

Investment Manager	Mandate	Benchmark	Performance Objective
BlackRock	Property	IPD All Balanced Funds Weighted Average	To outperform the benchmark
	Active Credit	BofA Merrill Lynch Sterling Corporate & Collateralized All Stocks)	Seeks to outperform the Benchmark by 0.5% p.a. gross of fees annualised over rolling 3-year periods.
Legal & General	World Developed Equities (Passive)	FTSE World Developed Equity Index	To hold a portfolio of securities designed to match the return of the FTSE World Developed Equity Index within a specific tolerance. 50% of the Section's allocation is invested in the GBP hedged share class of LGIM's pooled fund.
	Buy and Maintain Credit	iBoxx Sterling Non Gilt (ex-BBB) Over 15 Years	To seek to capture the credit risk premium through investing in a diversified portfolio of permitted bonds and to seek to maintain the value of this portfolio by; -Investing in securities with a view of holding to maturity -Avoiding investments in securities the Manager believes likely to default or experience significant deterioration in quality -Minimising trading activity and associated costs
	Segregated Liability Driven Investments mandate	N/A	Hedge 90% of the interest rate and inflation risk arising from the Section's liabilities on a gilts+0.5% p.a. basis.

Insight	Diversified Growth Fund (Broad Opportunities)	LIBOR 3 Month Index + 3.5% p.a.	To achieve a net return of 3 Month GBP LIBID + 3.0 to 5.0% p.a. over rolling 3-year periods
Schroder	Diversified Growth Fund	LIBOR 3 Month Index + 3.5% p.a.	To achieve a net return of UK inflation (as measured by RPI) + 5% p.a. over a market cycle
Partners Group	Global Infrastructure 2012, L.P. Inc.	N/A	A net return of 8-12% p.a. including a current yield of 4-5% on invested capital.
	Global Infrastructure 2018, L.P. Inc	N/A	7-10% net IRR 33-5% yield on capital invested p.a.
Janus Henderson	Buy and Maintain Credit	iBoxx Sterling Non-Gilts	To achieve a yield in-line or in excess of the Markit iBoxx £ Non-Gilts Index by investing primarily in a diversified portfolio of investment grade global corporate bonds.
CQS	Credit Multi-Asset Fund	LIBOR 3 Month Index + 4.5% p.a.	To achieve a net return of 3 Month LIBOR + 4.0% to 5.0% p.a. over a market cycle
Wellington	Multi-Sector Credit Fund	Absolute return of 5% p.a.	To achieve an absolute return of 5% to 7% p.a., gross of fees. over a market cycle

Elements

Appendix C: Investment Managers (Elements section)

Investment Manager	Mandate	Benchmark	Performance Objective
Legal & General Investment Management	All Stocks (AAA-AA-A) Passive Bonds	iBoxx £ Non gilt (ex-BBB) All Stocks	To match their respective benchmarks
	Over 15 Years (AAA-AA-A) Passive Bonds	iBoxx £ Non gilt (ex-BBB) 15 Year +	
	World Developed Equities (Passive)	FTSE World Developed Equity Index	To hold a portfolio of securities designed to match the return of the FTSE World Developed Equity Index within a specific tolerance. The currency exposure is not hedged back to Sterling.