Quilter Cheviot Retirement Benefits Scheme

Statement of Investment Principles - September 2020

(replaces September 2019 Statement)

Introduction

The Trustees of the Quilter Cheviot Retirement Benefits Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, subsequent legislation and associated requirements. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustees have consulted Quilter Cheviot Limited ("the Employer") on the Trustees' investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identifying appropriate investment objectives
- Agreeing the level of risk consistent with meeting the objectives
- Implementing an investment strategy in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper advice. In the Trustees' view, their Investment Consultants, Mercer Limited ("Mercer"):

- Are qualified by their ability in - and practical experience of - financial matters
- Have the appropriate knowledge and experience to provide such advice
- Meet the requirements of Section 35(5) of the Pensions Act 1995 (as amended)

Investment Objectives & Strategy

The objectives set out in this Statement, and the risks and other factors referenced, are those the Trustees consider to be financially material.

The Trustees' objective is for all member benefits to be paid in full by a regulated insurance company to enable the Scheme to be wound up. They have therefore purchased bulk annuity policies with Aviva Life & Pensions UK Limited ("Aviva"). These insure all the liabilities with the exception of a small number of members (fewer than ten). It is the Trustees' intention to insure any remaining uninsured members.

Additional payments or expenses will be met from cash balances and/or payments from the Employer.

Given the nature of the liabilities, the investment time horizon is potentially long-term. However, if the Scheme is bought out in full at some point in the future this could significantly reduce the Scheme's investment time horizon.

Risk Management and Measurement

In relation to investing the assets, the Trustees are aware of, and pay close attention to, a range of risks that could have a material financial impact on the Scheme. The principal risks are managed as follows:

- The primary investment risk arises from a mismatch between the Scheme's assets and liabilities. This is minimised by matching almost 100% of the liabilities with annuities held with a regulated insurance company

- The Employer may be unable or unwilling to finance a shortfall between assets and liabilities. This risk is also minimised by holding annuities to meet the vast majority of benefits

- The annuities represent a concentration of risk that the provider does not make the required payments. As the policies are governed by insurance market solvency regulations, the Trustees believe this risk is low and have mitigated it by careful choice of provider and contract terms

- Although bulk annuities are illiquid investments and cannot be traded on regulated markets, the Trustees are satisfied this is appropriate given the security they provide by paying members' benefits as they fall due

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate. As their objective is to secure 100% of benefits via annuity contracts, the likelihood of material changes is considered very low.

Portfolio Construction & Day to Day Management of the Assets

After a careful suitability review, the Trustees have invested in bulk annuities with a single insurer. Aviva is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

The Trustees have taken steps to satisfy themselves that Aviva has the appropriate knowledge and experience.

Expected Return

An expected return on the bulk annuities has not been determined but is implicit in the price of each contract.

Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets are consistent with the overall principles set out in this Statement.

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under each annuity contract. These payments are available to meet the Scheme's cash outflows.

Any additional cash flow requirements, such as expenses, are expected to be met from residual cash or - if there is a shortfall - additional payments from the Employer.

ESG, Stewardship and Climate Change

The Trustees believe that environmental, social and corporate governance ("ESG") factors, including climate change, could have a material financial impact on risk and return outcomes over the Scheme's investment time horizon and that good stewardship can create and preserve value for companies and markets as a whole.

As the Scheme's assets are invested in bulk annuity contracts with Aviva, the Trustees are reliant on the insurer's policies on responsible investment and corporate governance and will review these from time to time as appropriate.

They have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Aviva. As a result, the Trustees believe they have minimal direct exposure to risks arising from long-term sustainability issues, including climate change.

Non-Financial Matters

Members' views on "non-financial matters" (where these include ethical views such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments.

Insurer Arrangements

Alignment of Insurer Objectives and Incentivisation

Aviva have been appointed with the aim of insuring the Scheme's liabilities and reducing the Scheme's funding volatility. The Trustees seek expert advice in relation to these appointments. This includes an assessment of Aviva's capabilities, knowledge and experience. The annuity policies are managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policies are aligned with the Trustees' objectives and the terms of the policies incentivise Aviva to meet the Trustees' objectives. The Trustees understand that they have no ability to determine or influence the assets in which Aviva invests. The Trustees recognise that the annuity investments are illiquid and cannot be traded.

Performance Assessment and Fees

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policies covers the insurer's implicit fees with the Trustees' choice of insurer taking the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remunerating the insurer.

Portfolio Turnover Costs

The obligation of the insurer to make payments is not impacted by on-going turnover costs.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

Aviva's charges are embedded in its annuity pricing and no on-going fees are payable. The Investment Consultant is remunerated on a project basis. Projects may be undertaken on a fixed fee or time-cost basis as agreed with the Trustees.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay following any significant change in investment policy.

Changes will only be made after the Trustees have obtained and considered written advice from someone they reasonably believe is qualified by their ability in, and practical experience of, financial matters with the appropriate knowledge and experience of managing pension scheme investments.

Appendix 1 – Third Party Arrangements

Advisors

The following advisors assist the Trustees:

Pension Consultants	**Scheme Actuary**
Mercer Limited 1 Tower Place West Tower Place London EC3R 5BU	Michael Harrison FIA FCIA Mercer Limited 1 Whitehall Quay Whitehall Road Leeds LS1 4HR
Investment Consultants	**Independent Trustee**
Mercer Limited 1 Tower Place West Tower Place London EC3R 5BU	Ross Trustees Services Limited 5th Floor Thames Tower Station Road Reading RG1 1LX
Auditor	**Administrator**
PKF Cooper Parry Group Limited Sky View Argosy Road East Midlands Airport Derby DE74 2SA	Mercer Limited 1 Tower Place West Tower Place London EC3R 5BU
Legal Advisor	
Hogan Lovells LLP 65 Holborn Viaduct London EC1A 2DY	

Bulk Annuity Provider

Aviva Life & Pensions UK Limited Wellington Row York YO90 1WR