

Statement of Investment Principles

September 2020

Introduction

The Trustee of the Quilter Cheviot Defined Contribution Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (the “Statement”) to describe how the Trustee invests the assets of the Scheme. The Statement has been prepared in accordance with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pensions Scheme (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019.

In preparing this Statement the Trustee has consulted Quilter Cheviot Limited (the “Principal Employer”) and received and considered written advice from their investment advisers, Capita Employee Solutions (“Capita”). This Statement comes into force at the date of signing and supersedes all previous versions.

Governance

The Trustee makes all major strategic decisions including, but not limited to, the design of the investment structure and individual strategies, the range of asset classes and risk levels made available and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives.
- Agree the level of risk consistent with meeting the objectives.
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.
- Monitor the performance of the investments and take appropriate steps to address any areas for improvement.

When making such decisions, and where appropriate taking into account the circumstances and the nature of the investment, the Trustee obtains and considers proper advice relating to the suitability of investments. The Trustee’s investment advisers, Capita, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience to provide such advice.

Investment objectives – default strategy

The Trustee recognises that the ultimate aim and objective of the default strategy is to ensure that the assets are invested in the best interests of members and beneficiaries and that members of the Scheme are able to retire on a reasonable level of pension taking into account the contributions paid into their individual accounts and the timescale over which those contributions were invested.

The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee has made available a default lifestyle strategy – namely the Default 15 Year Lifestyle Investment Strategy – see Appendix 1.

This strategy uses a balanced combination of investments in the growth and de-risking phases. In the growth phase, for instance, exposure to UK equities is balanced with global equities and exposure to diversified growth funds. As the default lifestyle strategy transitions towards a member’s retirement, diversification remains a core

feature but downside protection is introduced, with corporate bonds and subsequently gilts introduced.

The Trustee's key objectives for the Scheme's default investment strategy are therefore:

- To ensure the default investment strategy is consistent with relevant legislation/regulations/Trust Deed and Rules, and best practice, and there is sufficient flexibility to react to legislative/regulatory changes;
- To ensure the default investment strategy structure and design is based on the membership profile, where practical to do so;
- To be mindful of the costs borne by members due to the underlying investments in different managers and at different points in their working lives;
- To use diversification between different types of assets to reduce investment risk where practical and cost effective to do so; and
- To ensure the default investment strategy is capable of being communicated effectively to members.

The Trustee will monitor the default investment strategy against these objectives.

Investment objectives – alternative strategies and self-select options

The Trustee recognises that individual members have different investment needs and that these may change during the course of their working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should be able to make their own investment decisions based on their individual circumstances. Therefore, the Trustee has made available a range of investment options that they believe enable members to maximise pension pay outs in real terms consistent with the level of risk chosen by the member.

The Trustee regards their duty as making available a balanced range of investment options sufficient to enable members to tailor their investment strategy to their own needs.

The Trustee's key objectives for the Scheme's alternative strategies and self-select options are therefore:

- To ensure that options are consistent with relevant legislation/regulations/Trust Deed and Rules, and best practice, and there is sufficient flexibility to react to legislative/regulatory changes;
- To offer members a reasonable and balanced range of investment options to satisfy their risk and return combinations, and to reflect the range of retirement options members now have following the introduction of Freedom and Choice In Pensions from April 2015;
- To ensure the range of investment options are reflective of the membership profile and perceived ability to engage, where practical to do so;
- To be mindful of the costs borne by members as a result of investing in different asset classes and using different investment management styles;
- To use diversification between different types of assets to reduce investment risk where practical and cost effective to do so; and
- To ensure the investment strategy is capable of being communicated effectively to members such that members can take informed decisions in the context of their personal financial circumstances.

The Trustee will monitor the investment options against these objectives.

Decision making

Where the Trustee takes investment decisions they do so after receiving written advice from their advisers and consider that this advice, together with their own expertise, gives them the appropriate familiarity to deal with the issues concerned.

Under the terms of the Financial Services & Markets Act 2000, the Trustee sets the general investment policy of the Scheme. However the Trustee has delegated the day-to-day decisions regarding the investment of the assets of the Scheme to appointed Investment Managers through a written contract.

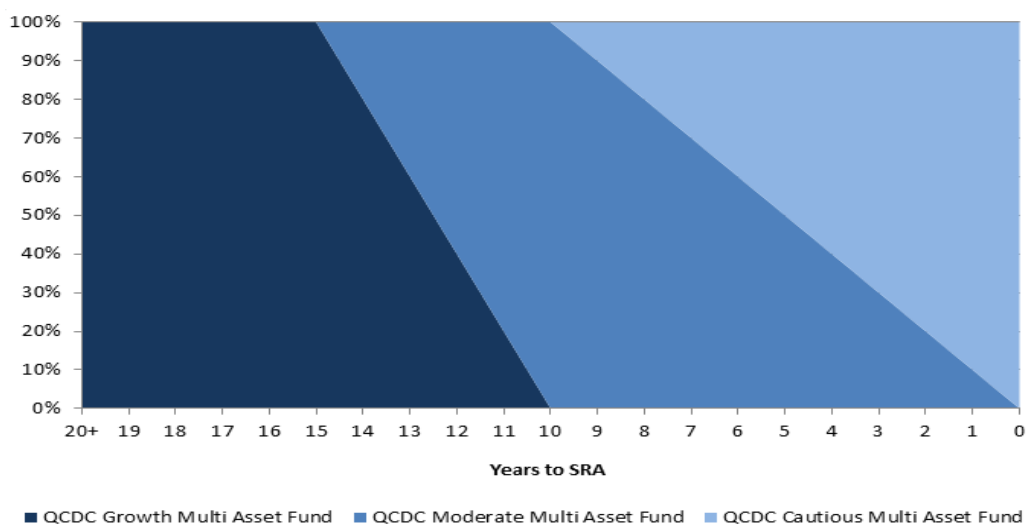
In choosing the Scheme’s investment options, it is the policy of the Trustee is to consider:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class within a defined contribution scheme; and
- The need for appropriate diversification.

Investment strategy – default strategy

As a result of the investment objectives, the Trustee follows the below principles:

- The overall aim of the default lifestyle strategy is to deliver a level of return consistent with the level of risk taken over the members’ lifetime. The strategy encompasses changing risk profiles over time and then further changes in line with the way members may take their benefits.
- The growth phase of the default strategy is the ‘QCDC Growth Multi Asset Blend’. This then switches into the ‘QCDC Moderate Multi Asset Blend’ between 15 and 10 years to Selected Retirement Date (SRA) in the transition phase. In the final 10 years to (SRA), the lifestyle strategy will switch to a lower risk multi asset portfolio, the QCDC Cautious Multi Asset Blend’ to provide greater flexibility in retirement. The structure of the default lifestyle strategy is as follows (further detail is included in Appendix 1):



- The default lifestyle strategy offered will be reviewed from time-to-time by the Trustee to take into account changes in various considerations such as: the membership profile and experience; legislation and regulations; and developments in investment products.

Investment strategy – alternative lifestyles and self-select options

The Trustee also makes available an alternative lifestyle option (the Cautious 15 Year Lifestyle Investment Strategy) which gives members a lower risk alternative to the default lifestyle strategy and which also aims to provide flexibility in retirement. Also available are a self-select range of funds. Further detail is included in Appendix 2.

- The overall aim of the alternative lifestyle strategy and self-select options is to deliver a level of return consistent with the level of risk desired by members (this risk changes over a member's lifetime in the case of the alternative lifestyle strategy).
- The alternative lifestyle strategy offered will be reviewed from time-to-time by the Trustee to take into account changes in various considerations such as: the membership profile and experience; legislation and regulations; and developments in investment products.
- The self-select range includes both passively and actively managed investment funds. The Trustee keeps the range of investment funds and investment managers under review and makes changes as required.

Investment mandates

The Trustee has appointed ReAssure Life ("ReAssure" formerly Old Mutual Wealth Investment Management ("OMW")) as provider of an investment platform through which the Trustee is able to access third party funds in order to invest the assets of the Scheme. ReAssure is regulated by the Financial Services and Markets Act 2000.

The Trustee has selected a number of pooled funds, accessed through the platform, to make the day-to-day decisions about the management of the assets. The asset managers and mandates are shown in Appendix 1 and 2.

The Trustee has a rolling contract with ReAssure.

The Trustee monitors the performance of the underlying investment managers on a quarterly basis. This monitoring is contained in a report provided by its advisors.

The Trustee has set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment manager remuneration

The Trustee monitors the remuneration and incentives, that are paid to its underlying investment managers and how they reward their key staff who manage client funds.

As part of the monitoring that the Trustee carries out on a regular basis, it ensures that this policy is in line with its investment strategy.

Investment manager philosophy and engagement

The Trustee monitors the underlying investment managers' processes for assessing the businesses they invest in, and whether business performance over the medium to long-term involves appropriate incentives and a holistic look beyond mainly accountancy measures. The Trustee is conscious of whether the investment managers are incentivised by the agreement with the Trustee to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance. The Trustee also seeks

to understand how these processes enable the manager to align its investment strategy with the Trustee's investment policies (on choosing investments, kinds of investment, balance, risk, expected return, realisation, financial and non-financial matters).

Investment manager portfolio costs

The Trustee will monitor costs of buying, selling, lending and borrowing investments and it will look to monitor the costs breakdown annually, as long as the Investment Manager provides these costs using the Cost Transparency Initiative template. Through the use of this template the Trustee intends to review the incurred portfolio turnover costs as well as define and monitor appropriate portfolio turnover or turnover range. The Trustee will also ensure that, where appropriate, its Investment Manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then the Trustee will monitor compliance with these targets.

Risk management and measurement - default strategy

The Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Scheme.

- The key risk is that members will not achieve a reasonable income in retirement in real terms that meets their expectations. The Trustee takes into account risks affecting the long-term financial stability of investments, takes advice on these risks from its investment advisers and assesses the financial materiality of these risks when developing and implementing the investment strategy.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles. The Trustee believes that the default investment strategy provides adequate choice and diversification both within and across different asset classes.
- The Trustee recognises the risk of investing in unsuitable or esoteric investments. The documents governing the platform provider's appointment and pooled funds' selection include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. It is acknowledged that this is a lower risk for those investments in the default strategy.
- The Trustee recognises that the use of active management involves a risk that the assets do not achieve the expected return and potentially increases the governance requirements. Where the Trustee utilises active funds, they believe this risk may be outweighed by the potential gains from successful active management. Therefore, the default strategy uses a mixture of index-tracking and active management which may be adjusted from time to time.
- The safe custody of the Scheme's assets is a risk and hence it is delegated to professional custodians via the use of an investment platform and pooled vehicles.

Risk management and measurement - alternative lifestyles and self-select options

The alternative lifestyle strategy has been constructed as a cautious version of the default with lower expected investment volatility and the self-select options aim to give access to greater choice for those members willing to take the risk.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained

via pooled vehicles.

- The Trustee recognises the risk of investing in unsuitable or esoteric investments, which is particularly pertinent for the self-select options. The documents governing the platform provider's appointment and pooled funds' selection include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustee recognises that the use of active management involves a risk that the assets do not achieve the expected return and potentially increases the governance requirements. Where the Trustee utilises active funds, they believe this risk may be outweighed by the potential gains from successful active management. Therefore, the default strategy uses a mixture of index-tracking and active management which may be adjusted from time to time.
- The safe custody of the Scheme's assets is a risk and hence it is delegated to professional custodians via the use of an investment platform and pooled vehicles.

Should there be a material change in the Scheme's circumstances; the Trustee will review whether the current investment structure of the default and alternative lifestyle strategies and self-select options remain appropriate.

Realisation of investments

This section applies equally to the default and alternative/self-select options.

The Trustee delegates the buying and selling of investments to its investment managers.

The Trustee has designed the default and alternative strategies such that members are invested at retirement age in investments designed to be broadly appropriate for the range of retirement options now available to members.

At retirement, members have the ability to take an annuity (through an annuity advisor) or cash from within the Scheme. If members wish to pursue a drawdown option then this must be arranged outside of the Scheme.

Expected return on investments – default strategy

The Trustee expects the return on assets in the default strategy to be consistent with the investment objectives and investment strategy of each underlying investment fund. This will change over time through lifestyling and the different combination of investments.

The Trustee recognises that returns will deviate significantly from expectations, particularly over the short term.

Expected return on investments – alternative strategy and self-select options

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy of each investment fund.

The Trustee recognises that returns will deviate significantly from expectations, particularly over the short term.

Financially material considerations over the Scheme's time horizon

This policy applies across the investments held in the default strategy, alternative strategy and self-select options.

The Trustee believes that its main duty, reflected in the investment objectives, is to protect the financial

interests of the Scheme's members. The Trustee believes environmental, social and governance ("ESG") considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustee forms a view of the length of time that it considers is needed for the funding of future benefits by the investments of the Scheme. The Trustee recognises that this is a DC scheme with a wide variety of members across different ages and risk profiles. Consequently the Trustee believes that, so long as the Scheme remains a going concern, an appropriate time horizon for the Scheme could be long enough for ESG considerations to be financially material.

The Trustee has elected to invest in active and passive pooled funds across a number of managers. Size makes it difficult to directly influence its managers' ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustee will consider the manager policies in all future selections and will deepen its understanding of the existing manager policies by reviewing these at least annually, focusing on the default and alternative lifestyle managers. The Trustee will also seek to understand what other options might be available at its managers and in the wider market. In cases where it are dissatisfied with a manager's approach it will take this into account when reviewing them. The Trustee is also keen that all its managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustee is aware that ESG considerations involve an ongoing process of education for itself and engagement with its investment managers. To that end it dedicates time regularly to the discussion of this topic and intends to review and renew its approach periodically with the help of its investment consultants, where required.

Stewardship and voting

This policy applies across the investments held in the default strategy, alternative strategy and self-select options.

The Trustee believes that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustee is keen that the managers can explain when, and by what practical methods, they monitor and engage with relevant persons (e.g. issuers of debt or equity, an investment manager, another stakeholder or another holder of debt or equity) about relevant matters in this area (e.g. performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance). The Trustee will be liaising with them to obtain details of voting behaviour (including the most significant votes cast on the Scheme's behalf and what proxy voting services have been used) and will then be reporting annually on this. The Trustee is also keen that its managers are signatories to the UK Stewardship Code, which is currently the case.

The Trustee is aware that stewardship considerations involve an ongoing process of education for itself and engagement with its investment managers. To that end it dedicates time regularly to the discussion of this topic and intends to review and renew its approach periodically with the help of its investment consultants, where required.

Non-financial matters

This policy applies across the investments held in the default strategy, alternative strategy and self-select options.

Non-financial matters, including members' views, are not taken into account explicitly in the selection, retention

and realisation of investments.

Employer-related investments

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

Fee structures

The platform provider and the underlying investment managers are paid a management fee on the basis of assets under management. No additional performance fees are payable for any of the funds available within the Scheme. The Trustee recognises the importance for transparency in charging and reviews all fund and platform charges regularly to ensure transparency and value for money.

The investment advisers are paid on a time-cost or fixed fee basis, as agreed between the Trustee and the investment adviser from time to time.

Review of this Statement

The Trustee will review this Statement, in respect of both the default strategy, alternative and self-select options, at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having consulted the Principal Employer and after having obtained and considered the written advice of a party who the Trustee reasonably believes 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 pension scheme investments.

Signed on behalf of The Trustee of the Quilter Cheviot Defined Contribution Scheme

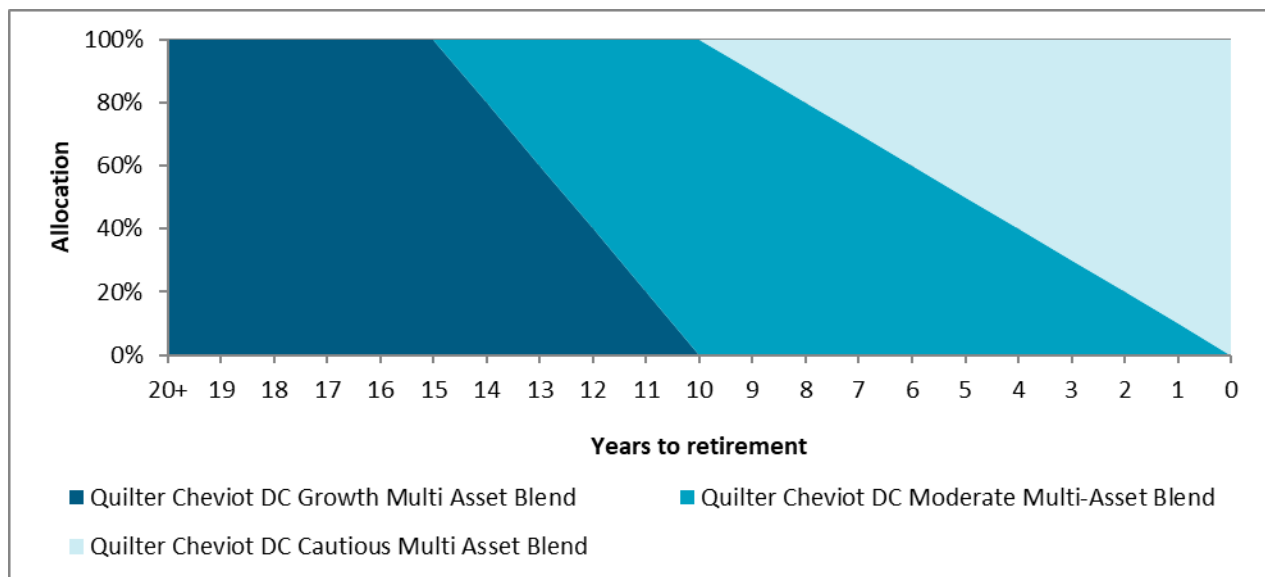
Chair of Trustee (Print name): Shehzad Ahmad

Appendix 1 – Default Lifestyle Strategy

Upon joining the Scheme, unless the employer has selected otherwise, members will automatically be invested into the default investment strategy – the Default 15 Year Lifestyle Investment Strategy. The lifestyle matrices of the underlying blended funds used in the default investment strategy are shown below:

Default 15 Year Lifestyle Investment Strategy

Years to retirement	Quilter Cheviot DC Growth Multi Asset Blend	Quilter Cheviot DC Moderate Multi-Asset Blend	Quilter Cheviot DC Cautious Multi Asset Blend
20 or more	100.00%	0.00%	0.00%
19	100.00%	0.00%	0.00%
18	100.00%	0.00%	0.00%
17	100.00%	0.00%	0.00%
16	100.00%	0.00%	0.00%
15	100.00%	0.00%	0.00%
14	80.00%	20.00%	0.00%
13	60.00%	40.00%	0.00%
12	40.00%	60.00%	0.00%
11	20.00%	80.00%	0.00%
10	0.00%	100.00%	0.00%
9	0.00%	90.00%	10.00%
8	0.00%	80.00%	20.00%
7	0.00%	70.00%	30.00%
6	0.00%	60.00%	40.00%
5	0.00%	50.00%	50.00%
4	0.00%	40.00%	60.00%
3	0.00%	30.00%	70.00%
2	0.00%	20.00%	80.00%
1	0.00%	10.00%	90.00%
at retirement	0.00%	0.00%	100.00%



Underlying funds

The lifestyle strategy invests in a range of blended funds, administered by the platform provider. The Trustee sets the asset allocation and appoints fund managers to the blends following advice from their investment advisers. The Trustee will review the blends on a regular basis alongside the investment strategy.

The constituents of the blends are as follows:

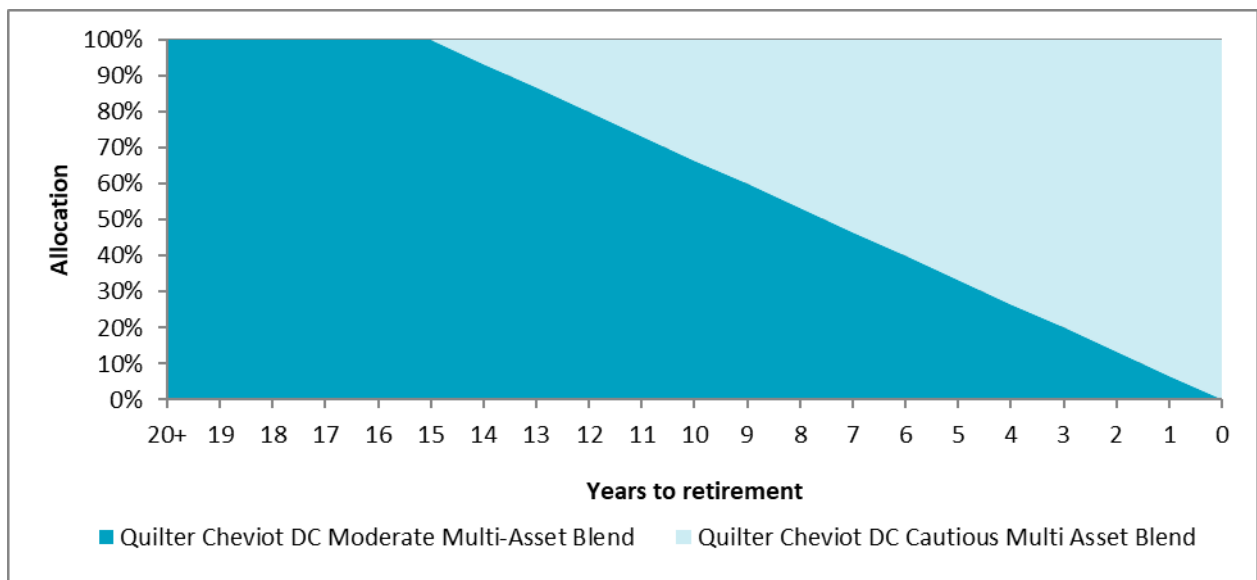
Underlying Fund	Proportion		
	Quilter Cheviot DC Growth Multi Asset Blend	Quilter Cheviot DC Moderate Multi-Asset Blend	Quilter Cheviot DC Cautious Multi Asset Blend
BlackRock Aquila UK Equity Index	17.5%	7.5%	-
L&G (PMC) World (ex UK) Equity Index	17.5%	7.5%	-
Newton Real Return	25.0%	25.00%	-
Schroder Dynamic Multi Asset	25.0%	25.00%	-
BlackRock DC Diversified Growth	15.0%	15.00%	30.0%
L&G Active Corporate Bond – All Stocks	-	20.00%	20.0%
L&G Over 15 Years Gilts Index	-	-	20.0%
Schroder Flexible Retirement	-	-	30.0%
Total Charge to members* (p.a.)	0.480%	0.511%	0.417%

* The Total Charge includes the fund Annual Management Charge (“AMC”), ReAssure platform charges and the average of other expenses over the last 12 month period.

Appendix 2 – Alternative lifestyle strategy and self-select options

Cautious 15 Year Lifestyle Investment Strategy

Years to retirement	Quilter Cheviot DC Moderate Multi-Asset Blend	Quilter Cheviot DC Cautious Multi Asset Blend
20 or more	100.00%	0.00%
19	100.00%	0.00%
18	100.00%	0.00%
17	100.00%	0.00%
16	100.00%	0.00%
15	100.00%	0.00%
14	93.33%	6.67%
13	86.67%	13.33%
12	80.00%	20.00%
11	73.33%	26.67%
10	66.67%	33.33%
9	60.00%	40.00%
8	53.33%	46.67%
7	46.67%	53.33%
6	40.00%	60.00%
5	33.33%	66.67%
4	26.67%	73.33%
3	20.00%	80.00%
2	13.33%	86.67%
1	6.67%	93.33%
at retirement	0.00%	100.00%



The full range of self-select options shown below is available to members to choose from if they wish.

Fund	Asset Class	Active/ Passive	Benchmark	AMC* (% p.a.)	TER** (% p.a.)
Equity Funds					
BlackRock Aquila (50:50) Global Equity Index	Global Equity	Passive	Composite Benchmark: 50.0% UK, 16.7% US, 16.7% Europe (ex-UK), 8.3% Japan, 8.3% Asia Pacific (ex-Japan)	0.030	0.087
BlackRock Aquila Emerging Markets Index	Emerging Markets Equity	Passive	MSCI Global Emerging Markets Index	0.180	0.290
L&G UK Equity Index	Developed Market Equity	Passive	FTSE All Share	0.050	0.100
L&G North American Equity index	Developed Market Equity	Passive	FTSE World North America Index	0.075	0.125
L&G Word (ex UK) Equity Index	Global Equity	Passive	FTSE World (ex UK) Index	0.075	0.125
L&G Japan Equity Index	Developed Market Equity	Passive	FTSE Japan Index	0.075	0.125
L&G Asia Pacific (ex Japan) Equity Index	Global Equity	Passive	FTSE World Asia Pacific (ex-Japan) Index	0.075	0.125
L&G Europe (ex UK) Equity Index	Developed Market Equity	Passive	FTSE Developed Europe (ex UK) Index	0.075	0.125
Multi Asset Funds					
Newton Real Return	Diversified Growth	Active	UK 1 Month LIBOR +4% p.a.	0.750	0.850
BlackRock DC Diversified Growth	Diversified Growth	Active	Bank of England Official Bank Rate +3.5%	0.600	0.610
Schroder Dynamic Multi Asset	Diversified Growth	Active	CPI + 4%	0.300	0.350
Quilter Cheviot DC Emerging Market Multi Asset Blend: <ul style="list-style-type: none"> • 50% Capital Group Emerging Markets Total Opportunities • 50% Investec Emerging Markets Multi-Asset 	Emerging Market Multi Asset	Active	Composite Index***	0.675	0.860
Bonds					
BlackRock Aquila Over 15 Years Gilt Index	UK Long-dated Gilts	Passive	FTSE UK Gilts Over 15 Years Index	0.080	0.084

Fund	Asset Class	Active/ Passive	Benchmark	AMC* (% p.a.)	TER** (% p.a.)
L&G Active Corporate Bond – All Stocks	UK Corporate Bonds	Active	Markit iBoxx Sterling Non-Gilt Index	0.250	0.260
BlackRock Aquila Over 5 Years Index-Linked Gilt Index	UK Index-Linked Gilts	Passive	FTSE UK Index-Linked Over 5 Years Index	0.080	0.084
M&G Total Return Credit Investment	Absolute Return Bonds	Active	1 Month LIBOR	0.500	0.510
Other					
L&G Cash Fund	Money Market	Passive	UK 7 Day LIBID	0.125	0.125
Quilter Cheviot DC Property Blend					
<ul style="list-style-type: none"> • 50% L&G Managed Property • 50% Threadneedle Pension Property 	Property	Active	Composite Index*	0.775	1.520
Schroder Flexible Retirement	Annuity Match		CPI + 2%	0.280	0.350
HSBC Amanah Global Equity Index	Shariah	Passive	Dow Jones Islamic Titans 100 Index	0.050	0.350
L&G Ethical Global Equity Index	Ethical	Passive	FTSE4Good Global Equity Index	0.250	0.250

* The Annual Management Charge (“AMC”) does not include the ReAssure platform charge. It represents the base charge of the fund only.

** The Total Expense Ratio (‘TER’) includes the AMC, but also the ReAssure platform charge as well as the average of other expenses over a 12 month period.

*** The overall benchmark is made up of a composite of the benchmarks of the asset classes the fund invests in.