Statement of Investment Principles

Sembcorp Utilities Teesside Pension Scheme Ltd

September 2020

1. INTRODUCTION

This document constitutes the Statement of Investment Principles (the 'SIP') required under Section 35 of the Pensions Act 1995 (the 'Act') for the Sembcorp Utilities Teesside Pension Scheme (the 'Scheme'). It describes the investment policy, guidelines and procedures being pursued by the Trustee of the Scheme which the Trustee believes is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of The Occupational Pension Schemes (Investment) Regulations 2005.

In accordance with the Act, the Trustee confirms that, before preparing the SIP, it has obtained and considered written advice from its appointed Investment Advisers, SEI Investments (Europe) Limited ('SEI') and has consulted with Sembcorp Utilities Limited (the 'Principal Employer' of the Scheme). The Scheme Actuary has also been consulted to ensure that the potential returns as determined by the Investment Advisers which are available from the investment strategy remain consistent with the assumptions the Trustee has adopted for determination of the Scheme's Statutory Funding Objective and the associated Recovery Plan to repair the funding shortfall.

The Trustee believes SEI to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge and experience of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme's assets and arrange administration of the Scheme. Where it is required to make an investment decision, the Trustee first receives and considers advice from SEI: it believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 ('FSMA'), the Trustee is responsible for setting a general investment policy, but has delegated the day-to-day investment of the Scheme's assets to the Investment Adviser.

The Investment Managers listed in Appendix D are authorised and regulated by the Financial Conduct Authority ('FSA') and provide the expertise necessary to manage the investments of the Scheme.

Declaration

The Trustee confirms that this SIP reflects the investment strategy it has implemented for the Scheme. The Trustee acknowledges that it is its responsibility, with guidance from its Investment Adviser, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed EHands . . . . Date 16 September 2020 . . . .

For and on behalf of the Trustee of the Sembcorp Utilities Teesside Pension Scheme.

2. SCHEME GOVERNANCE

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers the governance structure set out in this SIP to be appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management 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 overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustee has set the following long-term objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in Section 7 of this statement, which will generate income and capital growth to pay, together with deficit repayment contributions from the Principal Employer, the benefits which the Scheme provides as they fall due.

2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to the Statutory Funding Objective (further details at section 8.1).

3. To achieve a return on investments which, over the long term, is expected to be consistent with meeting the Statutory Funding Objective.

The Trustee aims to meet the long term objectives via the following measures:

- Ensuring the strategic allocation for the Scheme takes into account the liability profile and the Statutory Funding Objective.

- Monitoring the Investment Managers to ensure that they comply with the investment guidelines set for them and that there is a reasonable expectation that they can meet their performance objectives going forward.

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4. INVESTMENT STRATEGY

4.1 General Policies

The Trustee's approach to investment strategy is to allocate the assets into two pools – the Risk Management Pool and the Return Enhancement Pool. The investment objective is then translated into the strategy and assets are allocated to these two components:

- Risk Management Pool - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, corporate bonds and liability driven derivative overlays such as interest rate swaps.

- Return Enhancement Pool - these investments exist in the portfolio to generate return relative to the liabilities without a requirement to closely track liability performance. Assets in this pool include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, hedge funds, and other similar alternative investments.

  The Trustee's investment objective determines the split of assets between these two components and within each component.

4.2 Asset Allocation

The Trustee recognises the importance of asset allocation to the overall investment returns achieved. However, given the approach to managing the investments set out in the previous section, the Trustee also recognises that the asset allocation will change as a result of a range of factors, which include changes in market conditions changing the allocation to different asset types.

However, in recognition of the risks that asset allocation can imply, there are asset allocation controls in place. These are detailed in the agreements between the Investment Adviser and the Trustee (current objectives and guidelines as of the date of this SIP are set out in Appendix B).

4.3 Return Objective

A return on investments is required which, over the long term, is expected to be consistent with the Trustee's goal of meeting the Statutory Funding Objective.

Where the Trustee has felt it appropriate, the Investment Managers have been mandated to invest actively in such a way as is expected to outperform relevant benchmark indices. The return objective of the portfolio can be found in Appendix B.

5. STRATEGY IMPLEMENTATION

The Trustee employs the Investment Adviser to manage the assets of the Scheme.

SEI are appointed to invest the Scheme's assets through:

- Selecting appropriate investments suitable for the Scheme.
- Defining the allocations to each investment category.
- Managing a Segregated Portfolio which has the particular purpose to manage risk, including interest rate risk, inflation rate and equity risk, relative to liabilities
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives set for each fund, as this is consistent with the overall investment objectives set out earlier in the SIP.

5.1 Mandates and Performance Targets

The Trustee has received advice on the appropriateness of the Investment Managers' targets, benchmarks and risk tolerances from the Investment Adviser and believe them to be suitable to meet the Scheme's investment objectives.

SEI has been mandated by the Trustee to manage the investments under its control, in a particular way, and details of these mandates are given in agreement under which SEI is appointed by the Trustee (the "Fiduciary Management Agreement").

5.2 Fiduciary Management Agreement

The Fiduciary Management Agreement sets out the scope of SEI's duties, fees, and investment restrictions together with any other relevant matter in relation to the Scheme.

The Investment Adviser has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk.

The Trustee understands the importance of diversification and, as such, the Investment Adviser is required by the Trustee to ensure the assets are properly diversified. The choice of asset classes as set out in Appendix B is designed to ensure that the Scheme's investments are diversified by type and region.

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Investment Adviser and the Trustee. These ranges and sets of limitations will be specified in the agreements between the Investment Managers and the Trustee and may be revised from time to time where considered appropriate as circumstances change (details of the asset allocations as at the date of this SIP are set out at Appendix B). The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

The Trustee has established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, it considers the mandate to be suitable.

The Trustee has taken advice from the Scheme's Investment Advisers to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustee's objectives, regulatory guidance and specifications in the Trust Deed.

5.5 Journey Plan

The Trustee has agreed a Journey Plan for the purpose of de-risking and re-risking the investment strategy as the Scheme`s funding level changes. SEI will estimate and monitor the funding level and have been given discretionary authority to implement strategy changes as certain funding trigger points and timescales are reached. These are outlined in Appendix C.

6. MONITORING

6.1 Investment Management

The Trustee will monitor the performance of the Investment Managers against the agreed performance objectives.

SEI

Under the Fiduciary Management Agreement, the Trustee has appointed SEI to provide investment advice, portfolio management and other services from time to time, as specified in the Fiduciary Management Agreement.

Investment Managers

The Trustee will regularly review the activities of the Investment Managers to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Scheme.

6.2 Statement of Investment Principles (SIP)

The Trustee will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

6.3 Trustee

The Trustee maintains a record of all decisions taken, together with the rationale in each case.

7. RISKS

The Trustee recognise there are a number of risks involved with the investment of fund assets. The Trustee intends to adopt an investment strategy where the value of assets and liabilities are broadly aligned.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Adviser. The Trustee will monitor and review the Investment Managers' performance on a regular basis. The responsibilities of Trustee, Investment Adviser and Scheme Actuary are set out in Appendix A.

The Trustee recognises that the following are some of the risks involved in the investment of assets of the Scheme:

Cashflow risk
The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments, and may borrow over the short-term in order to minimise the probability that this occurs.

Financial mismatching risk
The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustee will control these risks by monitoring their key characteristics and setting appropriate tolerances.

Demographic risk
Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee recognises that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustee will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

Manager risk
The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustee. This issue has been considered by the Trustee on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustee has put in place.

Concentration risk
The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustee's ability to meet the objectives. The Trustee has set diversification guidelines for the Investment Manager to mitigate this risk.

Credit Risk.
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation**.** The Trustee limits the risk by restricting the Scheme's exposure to investments with a high credit risk and by ensuring that credit risk is well diversified across a number of counterparties.

Market risk. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risk:

- **Interest rate and inflation risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or inflation rates. In setting the investment strategy the Trustee has taken account of the interest rate and inflation sensitivity of the liabilities and then determined the extent to which it is appropriate and possible for these sensitivities to be matched by the assets, given the overall objective of the Scheme, The Trustee will monitor the performance of the assets relative to the liabilities with particular regard to the impact of interest rate and inflation rates.

- **Currency risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trustee limits the risk by ensuring that only a proportion of the Scheme's assets are invested in assets that are denominated in currencies other than in the currency of the liabilities unless the currency risk is hedged.

- **Other price risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of other market changes (other than those arising from interest rate, inflation and currency risk) whether those changes are specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trustee seeks to reduce the impact of price risk through investing in a diverse portfolio of asset classes with due consideration to the correlation of the value of different asset classes to each other in different market conditions. The Trustee also seeks to avoid investing in asset classes where the price risk is unrewarded.

Transition risk

The risk of incurring inappropriate costs in relation to the transition of assets from one Investment Manager to another or the movement of assets between different pooled funds. The Trustee will mitigate this risk by ensuring it is informed of any costs before they occur and by monitoring the actual cost against that expected.

Custody risk

The Trustee will assess and consider the actions of the custodian of the Scheme's assets, SEI Investments (Europe) Limited, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

The Custodian and the sub-custodian ring fences the Scheme assets from its own assets and those of its other clients.

Derivative risk

Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks will be managed through the use of collateral arrangements

The Trustee will keep these risks under regular review.

8. OTHER ISSUES

8.1 Statutory Funding Objective

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet the Statutory Funding Objective. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the Statutory Funding Objective.

8.2 Stewardship, Engagement and Voting

The Scheme's investments are achieved via pooled investment funds or via a segregated account whose management has been delegated. As such, direct control of the process of engaging with the companies that issue the securities held in such funds or accounts, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to the investment manager of the vehicle. The Trustee has also adopted a policy of delegating voting decisions on stocks to their Investment Managers who will exercise the voting rights attached to individual investments in accordance with their own house policy.

The Investment Managers, acting on behalf of the Trustee, are expected to have an interest in ensuring that corporate management act in the long-term interests of shareholders or bondholders and hence will, where appropriate and possible, engage with management.

For the purpose of engagement SEI has pooled their stock and bond holdings with other investors and employed a specialist ESG provider. The service also includes voting by the specialist ESG provider on behalf of SEI's funds at shareholder meetings to ensure that companies respond to the expectations of shareholders as well as other stakeholders. SEI will report on voting and engagement activity to the Trustee on a periodic basis.

8.3 Social, Environmental and Ethical Issues

The Trustee is seeking to deliver a required level of returns over the long term subject to an acceptable level of risk recognising that not all risks are rewarded.

- **Consideration of financially material factors in investment arrangements.**

Following advice from the Investment Adviser, the Trustee has adopted a policy of delegating responsibility for the consideration of environmental, social and governance (ESG) issues to the Investment Managers and their delegates. It expects the Investment Managers to take account of all financially material factors, including ESG, in the selection, retention and realisation of investments. The Investment Managers will keep the Trustee up to date with their latest policy on ESG factors**.**

The Trustee has not made explicit allowance for the long-term risks of climate change in their investment strategy.

- **Consideration of non-financially material factors in investment arrangements**

The Trustee does not expect the Investment Managers to take account of any non-financially material factors.

The Trustee will keep this under review.

8.4 Additional Voluntary Contributions (AVCs)

Some members have obtained further benefits by paying AVC’s into the Scheme. The liabilities in respect of these AVC’s are equal to the value of the investments bought by the contributions. The Trustee’s objective is to provide a range of funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations. The Trustee has appointed the following Investment Managers as providers of AVC`s. AVC funds are now closed to new contributions.

- Prudential

8.5 Realisation of Assets

The assets are held in pooled funds, and in a segregated account, most of which can be realised easily if the Trustee so requires.

8.6 Custody

The Trustee has appointed SEI as the custodian of the funds managed by SEI. SEI uses the back-office services of its associate, SEI Private Trust Company (“SPTC”). SPTC acts as agent for SEI’s associate, SEI Global Nominee Limited who holds the client assets of SEI.

In respect of the Segregated Account the Trustee, SEI, has currently appointed a sub-custodian to operate an account for the benefit of the Scheme.

Details of other custodians used by the Investment Manager who provides the AVC services for the Scheme are set out in the agreement between that party and the Trustee on behalf of the Scheme.

8.7 Use of Derivatives

Derivatives or other financial instruments may be used to hedge the Scheme’s liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks).

At any given time a minimum level of assets of sufficient liquidity and quality will be held to ensure the Scheme is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

8.8 Borrowing

The Trustee does not intend to borrow or allow borrowing on behalf of the Scheme except as envisaged under conditions set out in Section 7- Cashflow risk.

8.9 Conflicts of Interest

The Trustee will ensure that any conflicts of interest are managed at all times in the best interests of the Scheme.

9. Asset Manager Arrangements

Incentivising managers to align with the Trustee's investment strategy

SEI is incentivised to align its investment strategies with the Trustee's policies mentioned in this SIP through the terms set out in the Fiduciary Management Agreement and through the Trustee's setting investment objectives which are reviewed annually. The Trustee will monitor and assess performance against these investment objectives on a regular basis. Such reviews will also include how well SEI is aligned with the SIP, including in terms of ESG factors and the quality of service provided.

SEI engages third party asset managers either through the use of third party pooled funds, through the appointment of asset managers within multi-manager pooled funds and through the appointment of asset managers to manage segregated accounts. SEI is responsible for fee arrangements with asset managers, the costs of which are borne by SEI out of the fee that SEI charge the Scheme. SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy and objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to SEI and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Scheme.

Medium to long term and non-financial performance

Performance in the medium to long term can be improved where asset managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity. The Trustee has delegated this to SEI and will monitor performance against this.

As described above, where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

As indicated above, the fees paid to SEI and the possibility of their mandate being terminated, ensure they are aligned with the Trustee's interests in respect of medium to long term performance.

Monitoring portfolio turnover and costs

The Trustee has delegated the monitoring of the costs incurred by asset managers in the buying, selling, lending or borrowing of investments to SEI.

The Trustee recognises that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by SEI. However, SEI will incorporate portfolio turnover and resulting transaction costs in its advice on the Scheme's investment mandates. When the Trustee agrees a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs. The Trustee reviews and monitors the actual level of the costs and turnover against this expected level.

Duration of asset manager agreements

The agreement with the Fiduciary Manager has an indefinite term but can be terminated by the Trustee giving one month’s notice. The Scheme does not have any direct agreements with third party managers used by the Scheme.

The Trustee follow the Pensions Regulators’ guidance in relation to selecting a Fiduciary Manager, and regularly review the market for the provision of Fiduciary Management services. Within this review, the Trustee assesses the Fiduciary Manager against all of the Fiduciary Manager’s responsibilities as set out in Appendix A.

Appendix A- Responsibilities

Trustee

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

i. Determining the investment objectives of the Scheme and reviewing these from time to time.
ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
iii. Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Advisers.
iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Investment Advisers.
v. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, by way of meetings and written reports.
vi. Assessing the ongoing effectiveness of the Investment Advisers.
vii. Consulting with the Principal Employer when reviewing investment policy issues.
viii. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
ix. Advising the Investment Advisers of any changes to Scheme benefits and significant changes in membership.

Investment Adviser

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

i. Participating with the Trustee in reviews of this SIP.
ii. Advising the Trustee how any changes within 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 Investment 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 policy and current funds the Scheme is invested in, as appropriate.
vi. At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.
vii. 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 and a performance summary.

viii. Informing the Trustee immediately of:

- Any breach of this SIP that has come to their attention.
- Any serious breach of internal operating procedures.
- Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
- Any breach of investment restrictions agreed between the Trustee and the Investment Managers from time to time.

Scheme Actuary

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

i. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

ii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iii. Advising the Trustee and the Investment Managers of any changes to contribution levels.

Custodian

The Custodian will be responsible for, amongst other things:

i. Safe-keeping and administration of all the directly held assets.

ii. Collecting income from assets and transferring it to the Trustee.

iii. Processing all tax reclaims in a timely manner.

iv. Reconciling records of assets.

Appendix B - Investment Objectives, Guidelines & Restrictions

The investment objective for the portfolio can be summarised as follows:

(A) decrease volatility in the Scheme's funding level;

(B) seek to match assets with liabilities and achieve fully funded status on a Gilts +0.25% basis by 2029

(C) to the extent that it does not conflict with the objective in (A) and (B) above, maximise the Scheme's investment returns.

Table 1 sets out the high level target asset allocation and Hedge Ratio of the Portfolio and Table 2 sets out the detailed target allocation to various funds as at the date of this SIP.

Table 1

<table>
<tr><td rowspan="2">Target Asset Allocation</td><td>Return Enhancement:
- Equities/ International Bonds
- Alternatives</td><td>33.5%
6.5%</td></tr>
<tr><td>Risk Management:</td><td>60%</td></tr>
<tr><td rowspan="2">Hedge Ratio Target</td><td>Interest Rate Hedge (% of asset allocation, duration adjusted to match interest rate risk in the liabilities)</td><td>85%</td></tr>
<tr><td>Inflation Hedge (effective % of asset allocation, duration adjusted to match inflation rate risk in the liabilities)</td><td>75%</td></tr>
</table>

Table 2

Fund	Target Allocation %	Benchmark Index
Return Enhancement	**40.0%**	
Equities / Bonds	***33.5%***	
SEI Dynamic Asset Allocation	2.5%	MSCI World Index
SEI Global Managed Volatility Fund	5.0%	MSCI World Index
SEI Global Select Equity Fund	4.5%	MSCI World Index
SEI US Small Companies Fund	1.0%	Russell 2500 Index
SEI Pan Europe Small Cap Equity Fund	1.0%	MSCI Europe Small Cap Index
SEI Emerging Markets Debt Fund	4.5%	50% JPM EMBI Global Diversified Index / 50% JPM GBI-EM Global Diversified Index
SEI High Yield Fixed Income Fund	4.0%	Merrill Lynch US High Yield Master II Constrained Index (100% GBP hedged)
SEI UK Equity Strategy*	2.5%	FTSE All Share Index
SEI Emerging Markets Equity Fund	1.5%	MSCI Emerging Markets Equity Index
SEI Global Fixed Income Fund	1.5%	Barclays Capital Global Treasury Index
SEI Structured Credit Fund	3.0%	B of A Merrill Lynch 3 Month Constant Maturity LIBOR
SEI Global Opportunistic Fixed Income Fund	2.5%	Barclays Capital Aggregate ex Global Treasury Index
Alternatives	***6.5%***	
SEI UK Property Fund	3.5%	IPD UK Property Quarterly Index
SEI Offshore Opportunity Fund II Limited	3.0%	ML 3 Month Constant Maturity LIBOR (100% GBP hedged)

Risk Management	**60.0%**	
Segregated Portfolio (see below)	40.0%	Segregated Portfolio Index
SEI UK Credit Fixed Income Fund	20.0%	Merrill Lynch Sterling Broad Market Non-Gilts Index

*For the avoidance of doubt, the SEI UK Equity Strategy consists of the SGMF UK Fundamental Equity Fund and the SGMF UK Quantitative Equity Fund.

Segregated Portfolio

In order to target the Hedge Ratio Targets described above, SEI will seek to reduce the interest rate and inflation risk exposure of the Portfolio by implementing a Derivative overlay solution using the following instruments:

(i) Gilts and index-linked gilts

(ii) GBP denominated investment grade corporate bonds

(iii) Nominal, inflation linked and real rate swaps

(iv) Synthetic gilts (swap contracts linked to gilt and index linked gilt yields)

(v) Gilt repurchase agreements

(vi) Interest rate options

(vii) Cash

(viii) Other similar derivative instruments consistent with achieving the Investment Objective

Appendix C – Journey Plan

The Trustee has put in place a Journey Plan whereby the risk in the investment strategy will be reduced when the funding level has improved ahead of expectations as measured by the Funding Level reaching certain trigger points.

The tables below show the Funding Level Triggers as at 30th June 2018 which will be adjusted each quarter and the corresponding asset allocations for each of the potential strategies. For the avoidance of doubt Strategy 5 is the current position.

Strategy	Funding Level Trigger (Starting Level)
2	92.4%
3	89.4%
4	86.6%
5	Current Position

The table below includes the intended asset allocation for each Strategy. The funds available for inclusion in each Strategy are listed in Annex 2 to this Schedule.

		Strategy			
		2	3	4	5
Asset Allocation Target	**Return Enhancement:**	25%	30%	35%	40%
	Risk Management:	75%	70%	65%	60%
Hedge Ratio Target	**Interest Rate Hedge** (% of asset allocation, duration adjusted to match interest rate risk in the liabilities)	100%	95%	90%	85%
	Inflation Hedge (effective % of asset allocation, duration adjusted to match inflation rate risk in the liabilities)	90%	85%	80%	75%

Appendix D – Scheme Roles

Scheme Actuary:

Robert Mellor: Aon Hewitt

Investment Adviser:

SEI Investments (Europe) Limited

Investment Managers:

SEI Investments (Europe) Limited

Prudential