The Jiffy and Ambassador Pension Scheme (the "Scheme")

Statement of Investment Principles – September 2020 (replaces September 2019)

1. Introduction

The Trustees of the Jiffy and Ambassador Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act"), and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with Jiffy Packaging Company Limited (the "Sponsor") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives.

2. Defined Benefit Section

2.1 Process For Choosing Investments

The Trustees have decided to implement a de-risking strategy. The Trustees, having taken advice, set the strategic split between portfolios of growth and matching assets at each stage of the strategy. As the funding level improves, investments will be switched from growth assets to matching assets with the aim of reducing investment risk. The Trustees have delegated the implementation of the agreed de-risking strategy. Further details are outlined in 2.4 and 2.5.

The Trustees take into account what they believe to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout this Statement.

In considering appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.2 Investment Objectives

The objectives set out here, and the risks and other factors referenced are those that the Trustees determine to be financially material considerations in relation to the Scheme over its anticipated lifetime. Non-financial considerations are discussed in section 2.10.

The Trustees understand that taking some investment risk, with the support of the Sponsor, is necessary to improve the Scheme's ongoing and solvency funding positions. The Trustees recognise that equity (and other growth asset) investments will bring increased volatility of the funding level, but in the expectation of improvements in the Scheme's funding level through outperformance of the liabilities over the long term.

The Trustees' primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective the Trustees' further objectives are to:

- Reach a position such that the Scheme's assets would be sufficient to exceed the liabilities as determined, in the event of the Scheme winding-up, on the basis of a buyout with an insurance company.
- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Scheme to a position of being 110% funded on a de-risked funding basis (gilts +0.0% p.a.) by 2026-31.
- In doing so, to opportunistically reduce the degree of risk in the Scheme's investment arrangements, thereby helping to protect the Scheme's improving funding position.

The Trustees recognise this ultimately means investing in a portfolio of bonds but believe that at the current time some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

The Trustees have agreed that the Scheme should move progressively towards a target of an entirely bond-based investment strategy ("Matching Portfolio") as its funding level increases. The Trustees will monitor progress against this target.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

2.3 Risk Management and Measurement

There are various risks to which any pension scheme is exposed which the Trustees believe may be financially material to the Scheme. The Trustees' policy on risk management and measurement is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more volatility in the Scheme's funding position.
- To control the risk outlined above, the Trustees, having taken advice, set the split between the Scheme Growth and Matching Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 2.2. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.

- Whilst moving towards the target funding level, the Trustees recognise that even if the Scheme's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk the Trustees have delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustees with regular monitoring reports regarding the level of diversification within the Trustees' portfolio.

- To help the Trustees ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes the Trustees believe that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- To help diversify manager-specific risk, within the context of each of the Growth and Matching Portfolios, the Trustees expect that the Scheme's assets are managed by appropriate underlying asset managers.

- By investing in the Mercer Funds, the Trustees do not make investments in securities that are not traded on regulated markets. However, should the Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustees would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustees recognise the risks inherent in holding illiquid assets. The Trustees have carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- Considerations specific to Environmental, Social and Governance issues are addressed in 2.9.

Should there be a material change in the Scheme's circumstances or those of the Sponsor, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

2.4 Investment Strategy

The Trustees, with advice from the Scheme's Investment Consultant, reviewed the Scheme's investment strategy in 2019. This review considered the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long term solution to "de-risk" the Scheme's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustees decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates the asset allocation to the Scheme's funding level (on an actuarial basis using a single discount rate of 0.0% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.0% basis"). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target 110% funding on a gilts +0.0% basis by 2026-31;
- To reduce the volatility in the funding level by reducing un-hedged liability exposures;
- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking strategy takes account of the Scheme's initial funding level on a gilts +0.0% basis and is based on a model of the progression of the Scheme's funding level over the period to 2026-31.

The de-risking triggers which form the basis of the Scheme's dynamic investment strategy are set out in a separate document – the Statement of Investment Arrangements.

Once the funding level has moved through a band (as outlined in the Statement of Investment Arrangements), the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

The Trustees have delegated the allocation of assets within the Growth and Matching Portfolios to Mercer, subject to certain restrictions as outlined in the Statement of Investment Arrangements.

Responsibility for monitoring the Scheme's asset allocation and undertaking any rebalancing activity when the range restrictions are breached is delegated to Mercer. Mercer reports quarterly to the Trustees on any breaches to the range guidelines.

2.5 Day-to-Day Management of the Assets

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Scheme's funding level improves.

In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds.

In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund.

Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

Section 2.11 outlines how the Trustees incentivise Mercer, where applicable, to operate in line with the Trustees' objectives.

2.6 Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

The Trustees, on behalf of the Scheme, hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and/or the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion for the selection, retention and realisation of investments and in considerations relating to the liquidity of those investments.

2.7 Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme's requirements.

2.8 Rebalancing

As noted, responsibility for monitoring the Scheme's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced growth portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustees and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

2.9 ESG, Stewardship and Climate Change

The Trustees believe that financially material factors, including environmental, social, and corporate governance (ESG) factors, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the Scheme's investment time horizon and increasingly may require explicit consideration.

The Scheme's strategic benchmark for the DB Section has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's DB assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Trustees engage with Mercer on these issues through (amongst other things) discussions during Trustee meetings.

Notwithstanding the above, the Trustees recognise that in passive mandates the choice of benchmark dictates the assets held by the underlying investment manager(s) and that the manager(s) have limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustees accept that the primary role of the underlying passive manager(s) is to deliver returns in line with the market and the Trustees believe this approach is in line with the basis on which the current strategy has been set.

The Trustees consider how ESG, climate change and stewardship are integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Mercer, and MGIE, are expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities and/or climate scenario analysis for diversified portfolios, and the Trustees review this annually.

The Trustees have not set any investment restrictions in relation to particular Mercer Funds, but may consider this in future.

The Trustees will not consider the ESG policies of Additional Voluntary Contributions provider(s) and associated investment funds as these are a small proportion of total assets.

2.10 Non-Financial Matters

"Non-financial matters" (where non-financial matters includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments for the DB Section of the Scheme. The Trustees would review this policy in response to significant member demand, but believe that the delegation of portfolio construction to Mercer will lead to considerations that are in the best interest of the Scheme as a whole.

2.11 Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 2.4, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 2.4. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested with Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 2.9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees they pay for asset management services on an ongoing basis taking into account the progress made in achieving their investment strategy objectives as outlined in section 2.4. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also includes details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

2.12 Additional Assets

Assets in respect of members' additional voluntary contributions are invested in accounts with Phoenix Life Limited and the Prudential Assurance Company Limited.

3. Defined Contribution Section

3.1 Process for Choosing Investments

The Trustees have considered the characteristics of a range of members and their associated investment needs when choosing which types of investment to make available. The range of funds offered include those which offer the prospect of growth which exceeds the rate of inflation in the long term ("growth funds"), as well as funds that provide greater protection against changes in the cost of securing retirement benefits or volatile nominal market values ("defensive funds").

The Trustees take into account what they believe to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout this Statement.

3.2 Investment Objectives and Risk Management and Measurement

Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. The Trustees' objective is therefore to make available a range of investment options for this purpose. The Trustees also recognise that members may not believe themselves qualified to take investment decisions. As such, the Trustees make a default option available.

These objectives translate into the following principles:

- Offering members a 'Lifestyle' investment strategy for the default investment option and ensuring that the other lifestyle investment strategies allow members to plan for their specific retirement objectives;

- Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Scheme members – this includes offering active and passive funds;

- Providing general guidance as to the purpose of each investment option;

- Encouraging members to seek impartial financial advice from an appropriate party in determining the most suitable option for their individual circumstances;

- In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustees aim to make available a range of options which satisfy the needs of the majority of members.

The Trustees undertake to review the Scheme's fund choices offered to members and the investment manager arrangements on a regular basis.

Investment Risk Management and Measurement

The Trustees have considered risk from a number of perspectives over the Scheme's anticipated lifetime. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on each member's age and when each member expects to take his or her benefits from the Scheme.

In considering the range of funds to offer to members, the Trustees acknowledge that the investment time horizon of each individual member is different and will be dependent on their current age and when they expect to retire.

In designing the Scheme's lifestyle strategies, the Trustees have taken the proximity to target retirement date into account, and the associated financially material risks over the time horizon of these strategies.

The Trustees recognise the following risks in relation to the DC Section and take the following steps to manage them:

- **Market risk** – the risk that the markets in which the funds are invested perform poorly such that the investment objectives are not met. This risk includes inflation, currency, credit and other price risks.

  The Trustees manage this risk principally through offering members sufficient choice of investment vehicles, across the risk and return spectrum, to manage their own risks. The Trustees carry out periodic reviews of the overall range of funds with the assistance of their investment consultant and conduct regular assessments of the performance and performance prospects of each fund relative to its performance target.

- **Manager risk** – the risk that the individual fund managers perform poorly relative to the markets in which they invest, or their performance prospects deteriorate leading to the need to select a new fund manager.

  The Trustees delegate responsibility for the selection, retention and monitoring of investment managers and for the realisation of assets, through removal of investment managers, to Mercer. Mercer provides the Trustees with regular reports regarding the appointed investment managers to monitor consistency between the expected and experienced levels of risk and return.

- **Liquidity risk** – the risk that members will be unable to sell investments in a timely manner.

  To mitigate this risk, the Scheme invests in daily dealt and daily priced pooled funds.

- **Environmental, Social and Corporate Governance (ESG) risk** – the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.

  The management of ESG related risks is delegated to investment managers, with oversight from the Trustees. Considerations specific to Environmental, Social and Governance issues are addressed in 3.5.

- **Default mismatch risk** - the risk that the investment profile of the default investment option is unsuitable for the requirements of some members. Further details regarding this risk and its management are provided in 3.3.

The Trustees also pay close regard to the risks which may arise from the lack of diversification of investments. The Trustees believe that the choice of funds in place provides an adequately diversified distribution of assets.

The above items are in relation to what the Trustees consider to be "financially material considerations". As noted above, the Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

Investment Strategy

To meet the investment objectives and taking into account the risks identified above, the Trustees make available a range of funds, split by the behavioural characteristics of the membership, which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest and can, when closer to retirement, choose to implement lifestyling towards a level annuity, a 100% cash lump sum or drawdown. Alternatively, for members who do not wish to take an active role in the investment decisions, the Trustees offer a default fund with lifestyling to members designed to help them manage all the risks outlined above.

3.3 Day to Day Management of the Assets

Management of the Assets

The Trustees have contracted with Aviva PLC ("Aviva") to deliver investment management services through their investment platform. The Scheme's investment platform is provided under contract with Aviva and Mercer Workplace Savings, both of whom are regulated by the Financial Conduct Authority (the "FCA"). Aviva is also regulated by the Prudential Regulation Authority ("PRA").

Fund Range

The Trustees have selected funds on the Aviva platform for the members' contributions to be invested in that cater for the different risk appetites of members.

The Trustees offer a default lifestyle strategy and two alternative lifestyle strategies. Four additional Mercer "Risk-Rated" funds and one cash based "building block" fund are also available for members to choose from. Further detail on the composition of these options is outlined in the SIA.

Default Fund – "Do it for me"

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of DC scheme members do not make an active investment decision and are invested in the default option.

The aims of the default option

- The default lifestyle strategy manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets, both passive and active in nature. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.
- In designing the default lifestyle strategy, the Trustees have explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investment strategy (or an alternative lifestyle strategy, see below) on joining but also at any other future date.
- Assets in the default lifestyle strategy are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).
- The Scheme is invested in daily dealt and daily priced pooled funds.

Policies in relation to the default option

In addition to the Trustees' Investment objectives and policy in relation to investment risk (covered above), the Trustees believe that:

- The proposed lifestyle strategy's growth phase structure, that invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.
- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that the default strategy that seeks to reduce investment risk relative to expected retirement destination as the member approaches retirement is appropriate.
- Based on their understanding of the Scheme's membership, an investment strategy that targets annuity purchase and a tax-free cash lump sum (up to 25% of a members' pot) at retirement is likely to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy.
- In arriving at their investment strategy for the default investment options and the production of the SIP, the Trustees considered the risks outlined in Section 3.2, and believe that the monitoring and mitigation of these risks is consistent with those outlined above. The risks considered in Section 3.2 in relation to the default are in relation to what the Trustees consider "financially material considerations". The Trustees believe the appropriate time horizon over which to assess these

considerations within should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

3.4 Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

Mercer has discretion for the selection, appointment, monitoring, retention and removal of the underlying investment managers within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The underlying investment managers have discretion for the selection, retention and realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The same policy is applicable to the default fund selection and the wider fund range offering.

3.5 ESG, Stewardship and Climate Change

The Trustees believe that financially material factors, including environmental, social, and corporate governance (ESG) factors, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the Scheme's investment time horizon and increasingly may require explicit consideration. The Trustees have a consistent policy for their default fund and their full fund offering.

The Scheme's investment strategy for the DC Section has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

The Scheme's DC Section assets are invested in pooled vehicles and the day-to-day management of these assets has been delegated to Mercer, who in turn delegates the responsibility for the investment of the underlying assets to a range of investment managers, including the selection, retention and realisation of investments within their mandates.

In doing so the Trustees expect and Mercer expect and encourage these investment managers to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code ("the Code"), including also public disclosure of compliance via an external website. An assessment against the seven underlying principles of the Code is part of the Mercer review process of all underlying equity managers. Mercer produces a regular stewardship monitoring report which assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. This report is reviewed annually by the Trustees.

Notwithstanding the above, the Trustees recognise that in passive mandates the choice of benchmark dictates the assets held by the underlying investment manager(s) and that the manager(s) have limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustees accept that the primary role of the underlying passive manager(s) is to deliver returns in line with the market and the Trustees believe this approach is in line with the basis on which the current strategy has been set.

The Trustees consider how ESG, climate change and stewardship are integrated within Mercer's investment processes and those of the underlying managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities and/or climate scenario analysis for diversified portfolios, and the Trustees review this annually.

The Trustees have not set any investment restrictions on the appointed investment manager(s) in relation to particular products or activities, but may consider this in future.

3.6 Investment Manager Appointments

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(es) in which they invest.

The Trustees consider their investment advisor's forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme is invested in.

The Trustees will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees consider the investment advisor's manager research ratings when taking decisions on selection and retention of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

As the Trustees invest in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy.

3.7 Monitoring Investment Managers

The Trustees receive regular investment manager performance reports on a quarterly basis, which present performance information over a variety of time periods. The Trustees review the absolute and relative performance (against a suitable benchmark index), and against the manager's stated performance target. The Trustees also rely upon Mercer's manager research capabilities. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for member assessment to ensure they continue to represent value for members.

The Trustees maintain a focus on long term performance. They may review a manager's appointment if the manager has extended periods of underperformance, there is a material change in personnel or there is other news that may severely impact the outcome of the investment.

The Trustees may meet with investment manager if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

3.8 Portfolio Turnover Costs

Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

3.9 Investment Manager Turnover

The Trustees are (collectively) a long-term investor and are not looking to change investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

3.10 Non-Financial Matters

"Non-financial matters" (where non-financial matters includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments for the DC Section of the Scheme. The Trustees would review this policy in response to significant member demand, but believe that the delegation of portfolio construction to Mercer will lead to considerations that are in the best interest of the Scheme as a whole.

3.11 Additional Assets

Members have the opportunity to make additional voluntary contributions at their discretion, in the range of funds detailed above.

4. Compliance with and Review of this Statement

It is the policy of the Trustees to monitor compliance with this Statement annually. The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Company which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years and without delay after any significant change in investment policy. Any such review will be based on written, expert investment advice and will be undertaken in consultation with the Company.

M Rawsone.

For and on Behalf of the Trustees of The Jiffy and Ambassador Pension Scheme

25/9/20

Date