

STATEMENT OF INVESTMENT PRINCIPLES FOR THE MARYLEBONE CRICKET CLUB PENSION & ASSURANCE SCHEME



SEPTEMBER 2020

1) INTRODUCTION

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Marylebone Cricket Club Pension & Assurance Scheme ("the Trustees") on various matters governing decisions about the investments of the Marylebone Cricket Club Pension & Assurance Scheme ("the Scheme"), a Scheme with Defined Benefit ("DB") and Defined Contribution ("DC") Sections. This SIP replaces the previous SIP dated March 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended), the Pension Regulator's guidance on defined benefit pension schemes (March 2017), and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The SIP also reflects the Trustees' response to the Myners voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustees have consulted with the sponsoring employer, the Marylebone Cricket Club (the "Club") in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members in respect of the DC Section, and at least once every three years.

- **Appendix 1** sets out details of the respective key responsibilities of the Trustees, investment advisers and investment manager. It also contains a description of the basis of remuneration of the investment adviser and the investment manager.
- **Appendix 2** sets out the Trustees' policy towards risk appetite, capacity, measurement and management.
- **Appendix 3** sets out the Scheme's investment manager arrangements.

2) INVESTMENT OBJECTIVES

The Trustees' objectives for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustees have additional objectives. These are as follows:

- that the expected return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level. What the Trustees determine to be an appropriate level of risk is set out in Appendix 2.
- that the Scheme should be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis). The Trustees are

aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

The Trustees' primary objectives for the DC Section are to provide members with access:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustees believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

3) INVESTMENT STRATEGY

The Trustees, with the help of their advisers and in consultation with the Club, reviewed the investment strategy for the Scheme in 2018, taking into account the objectives described in Section 2 above.

3.1. DB investment strategy

The result of the review for the DB Section was that the Trustees agreed that the investment strategy of the Scheme should be based on the allocation below.

ASSET CLASS	STRATEGIC ALLOCATION
Total equities	30%
UK equities	15%
Global equities	15%
Total alternatives	30%
UK property	10%
DGFs	20%
Total bonds	40%
Corporate bonds	20%
Index-linked gilts	20%
Total	100%

There is a rebalancing policy which is described in Appendix 3. The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustees will consider with its advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

3.2. DC investment strategy

For the DC Section of the Scheme, the Trustees have made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The default option was designed to be in the best interests of the majority of the members based on the demographics of the Scheme's membership. The default option targets a full cash lump sum at retirement, since the Trustees believe that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking a cash lump sum.

To help manage the volatility that members' assets experience in the approach to retirement in the default strategy, the Trustees have included an allocation to "diversified growth", which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities.

The Trustees will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

4) CONSIDERATIONS IN SETTING THE INVESTMENT ARRANGEMENTS

When deciding how to invest the Scheme's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key assumptions for expected returns above gilts as at 30 June 2018 (the time of the last review of strategy for the DB Section) are as follows:

- average long-term return on equities: 5.0% pa
- average long-term return on corporate bonds: 1.0% pa
- average long-term return on diversified growth funds: 3.2% pa
- average long-term return on UK property: 3.0% pa

In setting the strategy for the DB Section the Trustees took into account:

- the Scheme's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the Club's covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes

In determining the investment arrangements for the DC Section the Trustees took into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members; and
- The Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements for both the DB and DC sections, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is a factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5) IMPLEMENTATION OF THE INVESTMENT ARRANGEMENTS

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment manager are set out in Appendix 3.

In respect of both the DB and DC Sections, the Trustees have entered into an insurance policy with Legal & General Assurance (Pensions Management) Limited ("LGAPM"). The insurance policy sets out details of the terms under which the Scheme's assets are managed. Under this policy, LGAPM also provide administration services to the DC Section forming a bundled platform arrangement. LGAPM delegates the investment management responsibilities for the Scheme's assets to Legal & General Investment Management ("LGIM").

The Trustees have a signed agreement with LGIM setting out in detail the terms on which the portfolios are to be managed. The investment manager's primary role is the day-to-day investment management of the Scheme's investments. The manager is authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees and LGIM, to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage their manager to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment manager, 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 fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the manager's investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate its investment manager by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover 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 the investment managers. The Trustees expect its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6) REALISATION OF INVESTMENTS

The investment manager has discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

For the DB Section, when appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment manager of any liquidity requirements. The Trustees'

preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). In general, the Trustees' policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation.

For the DC Section, the Trustees' policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7) CONSIDERATION OF FINANCIALLY MATERIAL AND NON-FINANCIAL MATTERS

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees expect their investment manager to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their manager to improve their practices where appropriate.

The Trustees take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Within the DC Section the Trustees recognise that some members may wish for ethical matters to be taken into account in their investments and therefore has made available suitable options for its members.

8) STEWARDSHIP

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment manager the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees don't monitor or engage directly with issuers or other holders of debt or equity, but they do seek to engage with current and prospective investment managers, including on ESG and stewardship matters. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees have limited influence over managers' stewardship practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

SIP signed for and on behalf of the Trustees of the Scheme:

Signed: John Nestor

INVESTMENT GOVERNANCE, RESPONSIBILITIES, DECISION-MAKING AND FEES

The Trustees have decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Scheme's governing documentation.

1) TRUSTEES

In broad terms, the Trustees are responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the Club;
- setting the investment strategy, in consultation with the Club;
- reviewing the investment policy as part of any review of the investment strategy;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment manager and monitoring compliance with Section 36 of the Act;
- reviewing the investment policy as part of any review of the investment strategy;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the Club when reviewing the SIP.

2) PLATFORM PROVIDER

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustees with regular information concerning the management and performance of the assets.

3) INVESTMENT MANAGER

In broad terms, the investment manager will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager's agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change

and other ESG considerations) as appropriate when managing the portfolios of assets;

- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

4) INVESTMENT ADVISER

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- For the DB Section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- For the DC Section, advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the investment manager; and
- participating with the Trustees in reviews of this SIP.

5) FEE STRUCTURES

The Trustees recognise that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustees have agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment manager receives fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager's general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Scheme. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

6) PERFORMANCE ASSESSMENT

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time.

7) WORKING WITH THE CLUB

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the Club's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the Club, the Trustees believe that better outcomes will generally be achieved if the Trustees and Club work together collaboratively.

POLICY TOWARDS RISK

1) RISK APPETITE AND RISK CAPACITY

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Scheme in order to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their long term objectives before attainment of those objectives is seriously impaired. The Trustees' aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the Club's covenant and how this may change in the near/medium future;
- the agreed journey plan and Club contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Based on market conditions as at 31 August 2018, the Scheme's adopted investment strategy provided an estimated 1 year 95% Value at Risk of around £5.5m. This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £5.5m or more, compared to the expected position, over a one year period due to investment risks alone. When deciding on the current investment strategy, the Trustees believed this level of risk to be appropriate given the Trustees' and Club's risk appetite and capacity, given the Scheme's objectives.

2) APPROACH TO MANAGING AND MONITORING INVESTMENT RISKS

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

In the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustees have made the default option a "lifestyle" strategy.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Scheme's DB assets and DC default strategy are adequately diversified between different asset classes and within each asset class, and the DC options provide a suitably diversified range for members to choose from. This was key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment manager on a regular basis to ensure it remains appropriate for its selected mandate.

2.4. Liquidity/marketability risk

For the DB Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the DC Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees manage this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

2.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

2.6. Risk from excessive charges

Within the DC Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent good value for members.

To further mitigate this risk, the Club reimburses members 0.30% per annum toward their fund management charges.

2.7. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value.

The Trustees believe that equity risk is a rewarded investment risk, over the long term.

The Trustees consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

2.8. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustees manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invests in bonds that are classified as "investment grade".

2.9. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

2.10. Interest rate and inflation risk

The DB Section's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

2.11. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements as part of its assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples of non-investment risks for the DB Section include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring Club is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level.

By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

INVESTMENT MANAGER ARRANGEMENTS

Details of the investment manager, their objectives, and investment guidelines are set out below.

1) THE DEFINED BENEFIT SECTION

The Trustees have selected Legal & General Investment Management (“LGIM”) as the investment manager for the Scheme’s assets, which are split into the Equity Portfolio, the Bond Portfolio and the Alternative Portfolio respectively. The strategic allocations to these portfolios are:

ASSET CLASS	BENCHMARK ALLOCATION
Equity Portfolio	30%
DGF Portfolio	20%
Bond Portfolio	40%
Property Portfolio	10%
Total	100%

LGIM are mandated to only rebalance between the Equity, DGF and Bond Portfolios, with the following benchmark and control ranges:

ASSET CLASS	BENCHMARK ALLOCATION	CONTROL RANGE
Equity Portfolio	33.3%	+/-3.0%
DGF Portfolio	22.2%	+/-2.0%
Bond Portfolio	44.5%	+/-4.0%
Total	100.00%	

1.1 The Equity Portfolio

The benchmarks for each of the funds within the Equity Portfolio are as follows:

ASSET CLASS	BENCHMARK ALLOCATION	CONTROL RANGE	BENCHMARK INDEX
UK equities	50%	+/-2.5%	FTSE All-Share
North America	15%	+/-1.25%	FTSE World North America
Europe (ex UK)	15%	+/-1.25%	FTSE Developed Europe (ex UK)
Japan	10%	+/-1.0%	FTSE Japan
Asia Pacific (ex Japan)	5%	+/-0.5%	FTSE Developed Asia Pacific (ex Japan)
Global emerging markets	5%	+/-0.5%	FTSE Emerging
Total	100%		

LGIM’s objectives in respect of the Equity Portfolio are to track, at both the individual asset class level and at the portfolio level, the total return on the relevant benchmark index / composite benchmark within acceptable limits.

These assets are managed on a passive (or index-tracking) basis. LGIM’s objective for each of these asset classes is to track within specified tolerances the total return of the relevant market index, at least two years out of three, before the deduction of fees and after allowance for withholding tax where applicable.

1.2 The DGF Portfolio

The benchmark for the fund within the DGF Portfolio is as follows:

ASSET CLASS	BENCHMARK ALLOCATION	CONTROL RANGE	BENCHMARK INDEX
Dynamic Diversified Fund	100%	N/A	Bank of England Base Rate +4.5% pa
Total	100%		

LGIM's Dynamic Diversified Fund provides exposure to a range of different asset classes including equities, bonds, property, commodities and listed infrastructure, private equity and global real estate companies, which may be actively or passively managed. The asset allocation of the fund is managed by LGIM with the aim of enhancing returns and managing downside risk. The fund provides exposure to a combination of UK and overseas assets with a flexible approach taken to managing foreign currency exposure. Derivatives may be used for efficient portfolio management.

1.3 The Bond Portfolio

The benchmarks for each of the funds within the Bond Portfolio are as follows:

ASSET CLASS	BENCHMARK ALLOCATION	CONTROL RANGE	BENCHMARK INDEX
Buy & Maintain Credit	50%	+/-5.0%	N/A
Index-Linked Gilts	50%	+/-5.0%	FTSE A Index-Linked (Over 5 Year) Index
Total	100%		

LGIM's Buy & Maintain Credit Fund aims to capture the credit risk premium within a globally diversified portfolio of predominantly investment grade credit and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality.

LGIM's objective for the Index-Linked Gilt Fund is to track within specified tolerances the total return of the relevant market index, at least two years out of three, before the deduction of fees and after allowance for withholding tax where applicable.

1.4 The Property Portfolio

The benchmarks for the funds within the Property Portfolio are as follows:

ASSET CLASS	BENCHMARK ALLOCATION	CONTROL RANGE	BENCHMARK INDEX
Managed Property	100%	N/A	AREF/IPD UK Quarterly All Balanced Property Fund Index
Total	100%		

LGIM's objective for its Managed Property Fund is to exceed the median return of UK Quarterly All Balanced Property Fund Index over three- and five-year periods.

1.5 Additional Voluntary Contributions

The Trustee has also selected Legal & General as the Scheme's money purchase AVC provider.

2) THE DEFINED CONTRIBUTION SECTION

The Trustees make available a range of passively and actively managed self-select funds and lifestyle strategies. The default option is a lifestyle strategy. Details of the options are set out below. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The fund options are provided to members via an insurance policy that provides access to a bundled platform arrangement with Legal & General. The funds are priced daily.

2.1 Passively managed self-select fund options

The Trustees makes available the following passively managed funds, all of which are managed by Legal & General, with the objective of tracking their benchmark return to within the specified tolerance before the deduction of fees.

FUND	BENCHMARK	TRACKING ERROR
L&G Global Equity (70:30) Index Fund	Composite ¹	+/- 0.50% pa
L&G Global Equity (50:50) Index Fund	Composite ²	+/- 0.50% pa
L&G Future World Fund	FTSE All-World ex CW Climate Balanced Factor Index	+/- 0.60% pa
L&G Pre-retirement Fund	Composite ³	n/k

¹ 70% FTSE All-Share Index, 30% FTSE All-World (ex UK) Index.

² 50% FTSE All-Share Index, 17.5% FTSE World North America Index, 17.5% FTSE Developed Europe (ex-UK) Index, 8.75% FTSE Japan Index and 6.25% FTSE World Asia Pacific (ex-Japan) Index.

³ The aim of this fund is to perform in line with or broadly outperform the cost of buying an annuity whilst minimising the volatility relative to changes in the annuity price. The composite benchmark is a mix of gilts and corporate bond funds.

2.2 Actively managed self-select fund options

The Trustees make available the following actively managed pooled funds as self-select options:

MANAGER – FUND	OBJECTIVE
L&G Dynamic Diversified Fund	Bank of England base rate +4.5% pa
L&G Managed Property Fund	AREF/IPD UK Quarterly All Balanced Property Funds Index
L&G Cash Fund	7-Day LIBID

2.3 Lifestyle Strategies

The Scheme offers members of the DC Section three different lifestyle strategies: the MCC Cash Lifestyle (the default), the MCC Annuity Lifestyle, and the MCC Drawdown Lifestyle.

Each of the three lifestyle strategies are the same prior to 5 years to retirement, where members are invested wholly in the L&G Future World Fund until 15 years to retirement, and then a combination of the L&G Future World Fund and the L&G Dynamic Diversified Fund until 5 years to retirement. In the final 5 years to retirement:

- the MCC Cash Lifestyle gradually changes the investment fund allocation such that when members are at their target retirement age, they are wholly invested in cash;
- the MCC Annuity Lifestyle gradually switches the investment fund allocation so

that when members are at their target retirement age, they are invested 75% in the L&G Pre-Retirement Fund and 25% in cash; and

- the MCC Drawdown Lifestyle gradually switches the investment fund allocation so that when members are at their target retirement age, it is invested 50% in the L&G Dynamic Diversified Fund, 25% in the L&G Future World Fund, and 25% in cash.

2.4 The default strategy

For members that do not make an active choice regarding their investments, the Trustees have set the default option to be the MCC Cash Lifestyle strategy. The default follows a pre-agreed investment strategy and provides an automated investment switching facility which will move members' funds from higher risk/return investments into lower risk/return investments as retirement approaches. Details of the investment structure of the default are provided in the section above.