

Statement of Investment Principles

Ideal Stelrad Group Pension Plan

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 Ideal Stelrad Group Pension Plan (the 'Plan'). It describes the investment policy, guidelines and procedures being pursued by the Trustees of the Plan which the Trustees believe are 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 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

In accordance with the Act, the Trustees confirm that, before preparing the SIP, they have obtained and considered written advice from their appointed Investment Advisers, SEI Investments (Europe) Limited ('SEI') and have consulted with Ideal Boilers Limited (the 'Principal Employer' of the Plan). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustees have adopted for determination of the Plan's Statutory Funding Objective and any associated Recovery Plan to repair a funding shortfall if one arises at any time.

The Trustees believe 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 Plan requires.

The Trustees are responsible for the investment of the Plan's assets and arrange administration of the Plan. Where they are required to make an investment decision, the Trustees first receive and consider advice from SEI for the DB Section and PSDCC for the DC Section: they believe that this ensures that they are appropriately familiar with the issues concerned.

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

The Investment Managers listed in Appendix C are authorised and regulated by the Financial Conduct Authority (FCA) and provide the expertise necessary to manage the investments of the Plan.

Declaration

The Trustees confirm that this SIP reflects the investment strategy it has implemented for the Plan. The Trustees acknowledge that it is their responsibility, with guidance from their Investment Adviser, to ensure the assets of the Plan are invested in accordance with these principles.

Signed Colin Richardson Date 27 September 2019

For and on behalf of the Trustees of the Ideal Stelrad Group Pension Plan.

2. PLAN GOVERNANCE

The Trustees are responsible for the governance and investment of the Plan's assets. The Trustees consider the governance structure set out in this SIP to be appropriate for the Plan as it allows the Trustees 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 Plan's governance are detailed in Appendix A.

3. DEFINED BENEFIT INVESTMENT OBJECTIVES

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following long-term objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in Section 10 of this statement, which will generate income and capital growth to pay, together with any deficit repayment contributions from the Principal Employer if such a deficit occurs, 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 11.1).
3. To achieve a return on investments which, over the long term, is expected to be consistent with meeting the Statutory Funding Objective.

The Trustees aim to meet the long term objectives via the following measures:

- Ensuring the strategic allocation for the Plan 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.

4. DEFINED BENEFIT INVESTMENT STRATEGY

4.1 General Policies

The Trustees' approach to investment strategy is to allocate the assets into two broadly defined 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 – including Liability Driven Investment and Corporate Bond strategies) 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 may include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, hedge funds, and other similar alternative investments.

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

4.2 Asset Allocation

The Trustees recognise 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 Trustees also recognise 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 Trustees (current objectives, guidelines and restrictions 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 Trustees' goal of meeting the Statutory Funding Objective.

Where the Trustees have 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. DEFINED BENEFIT STRATEGY IMPLEMENTATION

The Trustees employ the Investment Adviser to manage the assets of the Plan.

SEI is appointed to invest the Plan's assets through:

- Selecting appropriate SEI or Third Party Funds suitable for the Plan.
- Defining the allocations to each Fund;
- 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 Trustees have 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 Plan's investment objectives.

SEI has been mandated by the Trustees 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 Trustees (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 Plan.

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

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

5.4. Suitability

The Trustees have established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

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

5.5. Journey Plan

The Trustees have agreed a Journey Plan for the purpose of de-risking and re-risking the investment strategy as the Plan'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 are reached. These are outlined in Appendix D.

6. MONITORING

6.1. Investment Management

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

SEI

Under the Fiduciary Management Agreement, the Trustees have 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 Trustees 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 Plan.

6.2. Statement of Investment Principles (SIP)

The Trustees 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. Trustees

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

7. RISKS

The Trustees recognise there are a number of risks involved with the investment of fund assets. The Trustees intend 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 Trustees will monitor and review the Investment Managers' performance on a regular basis. The responsibilities of Trustees, Investment Adviser and Scheme Actuary are set out in Appendix A.

The Trustees recognise that the following are some of the risks involved in the investment of assets of the Plan:

- **Cashflow risk**
The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments. Although, the Trustees have no intention of needing to do so, they may borrow over the short-term in order to minimise the probability that this occurs in relation to the Defined Benefits section of the Plan.
- **Liquidity risk**
This is the risk of exhausting liquid assets and therefore being unable to meet immediate liabilities. These liabilities include cash payments. Sufficient liquidity is maintained such that the probability of this risk occurring is very low. The Trustee and their advisers monitor the level of liquidity, and will take actions to improve liquidity if necessary.
- **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 Trustees will control these risks by monitoring their key characteristics and setting appropriate tolerances. The Trustees will also review how these risks might change should pension schemes in assessment transfer into the Plan.
- **Demographic risk**
Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustees recognise that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustees will choose appropriate mortality assumptions in line with Plan Funding legislation to measure liabilities after taking advice from the Plan Actuary.
- **Manager risk**

The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustees. This issue has been considered by the Trustees on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustees have 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 Trustees have set diversification guidelines for the investment managers to mitigate this risk.
- **Credit risk**
The possibility of default of a counterparty in meeting its obligations. The Trustees have set guidelines with investment managers to limit its exposure to investments with high credit risk.
- **Systemic risk**
The possibility of an interlinked failure by a number of companies or organisations that sponsor pension Plans in particular sectors or industries. This also includes consideration of the overlap of risk between the investment held and the exposure to Plan deficits, as the failure of investments may also coincide with increasing Plan liabilities to the Plan. The Trustees will seek to mitigate this risk by limiting its exposure to investments with high credit risk. In addition, the asset allocation is set so as to ensure a low level of correlation between the Plan's assets relative to its liabilities and that of a typical UK defined benefit pension Plan.
- **Transition risk**
The risk of incurring inappropriate costs in relation to the transition of assets of pension Plans from one investment manager to another. The Trustees will mitigate this risk by using one or more specialist managers to implement transitions of assets with the explicit aim of minimising costs.
- **Custody risk**
The Trustees will assess and consider the actions of the custodian of the Plan'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 ring fences the Plan assets from its own assets and those of its other clients.
- **Derivative risk**
Where derivatives are used by the Plan, the Plan will have additional risk with the counterparty to that derivative. These risks are managed through the use of collateral arrangements.
- **Currency risk**
Addressed through the Investment Adviser's guidelines and its currency hedging strategy.
- **Covenant risk**
The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Plan's existing investment strategy.
The Trustees will keep these risks under regular review.

8. OTHER ISSUES

8.1. Statutory Funding Objective

The Trustees 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 Trustees 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. Corporate Governance

The Plan's investments are achieved via pooled investment funds, in which the Plan's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to the investment manager of the pooled investment fund. As such, the Trustees do not have a formal policy. However, the extent to which these factors are taken into account in the selection, retention and realisation of investments is considered by the Investment Managers as part of the process of selecting organisations with which to invest.

8.3. Social, Environmental and Ethical Issues

The Trustees are 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.

8.3.1. Consideration of financially material factors in investment arrangements

Following advice from the Investment Adviser, the Trustees have adopted a policy of delegating responsibility for the consideration of environmental, social and governance (ESG) issues to the Investment Manager and their delegates. The Trustees are comfortable with the advice they have received and regard the advice on these areas as sufficient to support their investment policy. They expect the Investment Manager to take account of all financially material factors, including ESG, in the selection, retention and realisation of investments. The Investment Manager will keep the Trustees up to date with their latest position on ESG factors.

The Trustees have not made explicit allowance for the long-term risks of climate change in their investment strategy. As noted above, the Investment Manager is expected to take account of all financially material factors in the selection of investments. The Trustees, and the Investment Manager, will keep this under review.

8.3.2. Consideration of non-financially material factors in investment arrangements

The Trustees have not imposed any restrictions relating to ESG issues on their Investment Manager and there are no exclusions applied to investment arrangements based on non-financially material factors.

8.4. Additional Voluntary Contributions (AVCs)

Some members obtain further benefits by paying AVC's into the Plan. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. The Trustees' objective is to provide a range of funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations. Members are offered the range of funds outlined in Appendix E through Standard Life in which to invest their AVC payments.

8.5. Realisation of Assets

The assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

8.6. Custody

The Trustees have appointed SEI as the custodian of the assets 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.

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

8 Use of Derivatives

Derivatives or other financial instruments may be used to hedge the Plan'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 Plan is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

8.8 Borrowing

The Trustees do not intend to borrow or allow borrowing on behalf of the Plan.

8.9 Conflicts of Interest

The Trustees will ensure that any conflicts of interest are managed at all times in the best interests of the Plan. Furthermore, in its oversight of the Investment Adviser, the Trustee will ensure that there are no conflicts of interests between SEI's role as Investment Adviser (detailed in Appendix A) and SEI's investment management business.

9.0 Voting

The Trustees have delegated responsibility for voting in a pragmatic and consistent manner to the Investment Managers.

9. DEFINED CONTRIBUTION

9.1. Defined contributions investment objectives

The Trustees' objectives are to:

Offer suitable funds for the members so that they have a range of options available from which they may be able to maximise, so far as is reasonable, the rate of return earned on the assets over the long term within an acceptable degree of variation in asset values in relation to the member's preferred retirement income option (annuity, cash, flexible drawdown or a combination of all three).

The member's retirement benefits depend on:

- i. The level of contributions made by or in respect of the member.
- ii. Investment returns achieved (net of fees and any transaction charges)
- iii. In relation to selected benefit option:
 - a. Annuity terms prevailing at retirement; or
 - b. Levels of return on deposit-based funds; or
 - c. Levels of return on growth asset-based funds

Review, in conjunction with the Investment Advisers by means of discussion with the Investment Manager, any fund option offered to members that either underperforms its benchmark over a significant timeframe, or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Plan's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review, although the Trustees recognise their responsibilities to monitor and amend the fund range offered to members as appropriate, following advice from the Investment Advisers who will monitor the investment returns in the context of actual member outcomes.

9.2. Defined contribution investment strategy

Having considered advice from the Advisers, and also having due regard for the objectives and the members of the Plan, the Trustees have made available a number of pooled funds through Standard Life's Trust Based Pension (TBP) contract. Members can choose to invest their contributions in one or more of the investment options.

The Trustees will ensure that each member's investments are invested in accordance with the fund options selected by the member.

9.21 Investment Options

A range of pooled funds has been made available to provide individual members with a choice of asset classes and regions. These are detailed in Appendix E.

9.22 Default Funds

The Trustees have decided to utilise a combination of active and passive options coupled with a proportion of absolute return funds within the default lifestyle strategies to members who do not specify where they would like their contributions to be invested.

The component funds are constructed as blends on Standard Life's platform and so are managed and reported on as single funds. The Trustees, in conjunction with the Investment Advisers, are able to review the underlying blend and adjust it as required.

Please see Appendix E for a table of the funds, their charges, benchmarks and whether they are active or passive.

The Trustees believe that these funds offer appropriate diversification and an acceptable level of risk to suit most members.

9.23 Lifestyling

In recognition that some members may not wish to make their own investment decisions, the Trustees have developed Lifestyle options to ensure an adequate degree of diversification and to help ensure that the strategy is suitable for the average member over their working career.

With the arrival of pension freedoms in April 2015, the Trustees have developed in conjunction with the Investment Adviser, three lifestyle strategies on a Balanced (2), Cautious (1), and Adventurous (3) basis to provide members with access to a Lifestyle strategy but in a manner that broadly matches their individual attitude to risk. Within each lifestyle strategy members are able to select different targeted investment strategies to broadly match the new benefit options under DC schemes available under HMRC rules from April 2015.

For former members of the DB section of the Plan, the default strategy is Punter Southall 2 Flexible Retirement Lifestyle Profile (formerly the Ideal Stelrad Group ('ISG') Balanced Lifestyle) whilst for existing members of the DC section of the Plan, in order to provide continuity with the previous default option of the Ideal Stelrad Group Pension Plan, the default is the Punter Southall 3 Flexible Retirement Lifestyle (formerly the ISG Adventurous Lifestyle Profile).

Under the above lifestyle strategies, the members' investments are automatically invested in either the SL Punter Southall Blended Investment 2 Pension Fund or SL Punter Southall Blended Investment 3 Pension Funds as appropriate, and then phased over the seven years prior to the member's selected retirement age into the SL Punter Southall At Retirement (Flexible Retirement) Pension Fund.

For those members wishing to make specific at retirement benefit selections as outlined above, alternative lifestyle strategies are available that phase into either:

- the SL Punter Southall At Retirement (Annuity) fund
- SL Punter Southall At Retirement (Lump Sum) fund
- SL Punter Southall At Retirement (Drawdown) fund, or
- SL Punter Southall At Retirement (Flexible Retirement) fund

As the member approaches their selected retirement age to reflect the changing nature of the risks faced, the matrices of these lifestyles are detailed in Appendix D.

Accordingly, there are 12 lifestyle Profiles available reflecting the 3 levels of risk in the growth phase, and the 4 benefit targets available at retirement.

9.24 Diversification

The choice of investment options for members is designed to ensure that they are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

9.25 Active and Passive Management

The choice of whether to offer active and/or passive fund options is dictated by the funds offered by the Investment Manager and the Trustees have taken this into account when selecting the Investment Managers for the Plan.

9.26 Suitability

The Trustees have taken advice from the Investment Adviser that the range of investment options offered to members is suitable. Members are responsible for choosing which of the funds is most appropriate for the investment of their own and their employer's contributions, based on their own individual circumstances. The availability of a default strategy does not constitute financial advice for any individual member.

9.3. DEFINED CONTRIBUTION STRATEGY IMPLEMENTATION

9.31 Investment Managers

Following advice from the Advisers, the Trustees have appointed Standard Life to provide the pooled funds that make up the Plan's fund options.

9.32 Defined Contribution Fund Options

The range of funds offered to members was chosen from those offered by the Investment Manager to give members a diversified range of pooled investments from which they can select according to their individual circumstances. The funds available to members are detailed in Appendix _.

9.33 Investment of Contributions for Defined Contribution Members

Members can choose to have their contributions invested:

1. 100% in one of the three Lifestyle growth options coupled with one of the four at-retirement options; or
2. In any one or more of the individual fund options offered to members.

Each member's contributions will be invested in line with his or her selected choice of funds.

9.34 Performance Objectives

The funds available to members are a range of actively and passively managed funds. The passively managed funds performance is expected to be in line with the relevant index or indices, whilst for the actively managed funds the objective is to achieve returns ahead of each respective benchmark. The 3 lifestyle strategies operate as blended funds with Standard Life and have performance benchmarks of CPI +2.0%, +2,5% and +3.0% over rolling 3 year periods for the Cautious, Balanced and Adventurous strategies respectively. The funds' benchmarks are detailed in Appendix C.

9.4. MONITORING

9.41 Investment Management

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

Investment Managers

The Trustees 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 Plan.

9.42 Statement of Investment Principles (SIP)

The Trustees 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.

9.43 Trustees

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

9.5. RISKS

The Trustees recognise there are a number of risks involved with the investment of DC section fund assets.

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 Managers. The Trustees will monitor and review the Investment Managers' performance on a regular basis. The responsibilities of the Trustees and Investment Adviser are set out in Appendix A.

The Trustees recognise that the following are some of the risks involved in the investment of assets of the Plan:

9.51 Manager risk

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

9.52 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 Trustees in conjunction with the Investment Adviser have established diversified blends via the investment managers to mitigate this risk.

9.53 Custody risk

The Trustees will assess and consider the actions of the custodian of the Plan's assets 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 Trustees will keep these risks under regular review.

9.6. OTHER ISSUES

9.61 Corporate Governance and Stewardship Policy

The Plan's investments are achieved via pooled investment funds in which the Plan's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to the investment manager of the pooled investment fund. As such, the Trustees do not have a formal policy. However, the extent to which these factors are taken into account in the selection, retention and realisation of investments is considered by the Investment Managers as part of the process of selecting organisations with which to invest.

9.62 Financially Material Investment Considerations

Considerations which include the "Risks", as set out in section 5, can affect the long-term financial performance of investments and can (but do not have to) include Environmental Social and Governance (ESG) responsibilities where relevant. The Trustees delegate consideration of financially material factors to the investment platform provider Aberdeen Standard Investments, who considers these factors for funds that are available through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only, and include climate change.

ESG factors and stewardship are considered in the context of long term performance by the Trustees (in conjunction with their advisors) as part of the manager selection criteria. For invested funds, the Trustees

request the investment platform provider monitors ongoing compliance with ESG and other factors, like stewardship, as part of overall engagement with companies in which they invest.

9.63 Non-Financially Material Investment Considerations

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations. This policy will be reviewed periodically.

There is an optional Standard Life Ethical Pension Fund and a Shariah compliant SL HSBC Islamic Global Equity Index Fund available to members within the core funds available.

9.64 Additional Voluntary Contributions (AVCs)

Some members obtain further benefits by paying AVC's into the Plan. The Trustees' objective is to provide a range of funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations. Members are offered the range of funds outlined in Appendix C through Standard Life in which to invest their AVC payments.

9.65 Realisation of Assets

The assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

9.66 Custody

Details of the custodians used by the Investment Manager who provides the Defined Contribution and AVC services for the Plan are set out in the agreement between that party and the Trustees on behalf of the Plan.

9.67 Borrowing

The Trustees do not intend to borrow or allow borrowing on behalf of the Plan. In addition, Standard Life's TBP contract does not facilitate or permit pension borrowing.

9.68 Conflicts of Interest

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

9.7. VOTING

The Trustees have delegated responsibility for voting in a pragmatic and consistent manner to the Investment Managers.

Appendix A- Responsibilities

Trustees

The Trustees of the Plan are responsible for, amongst other things:

- iii. Determining the investment objectives of the Plan and reviewing these from time to time.
- iv. Agreeing an investment strategy designed to meet the investment objectives of the Plan and prevailing legislation.
- v. Regularly reviewing the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Advisers.
- vi. Reviewing the suitability of the investment policy following the results of each investment review, in consultation with the Investment Advisers.
- vii. 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.
- viii. Assessing the ongoing effectiveness of the Investment Advisers.
- ix. Consulting with the Principal Employer when reviewing investment policy issues.
- x. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- xi. Advising the Investment Advisers of any changes to Plan benefits and significant changes in membership.

Investment Adviser

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

- i. Participating with the Trustees in reviews of this SIP.
- ii. Advising the Trustees how any changes within the Plan's benefits, membership and funding position may affect the manner in which the assets should be invested.
- iii. Advising the Trustees of any changes in the Plan's Investment Managers that could affect the interests of the Plan.
- iv. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Plan.
- v. Undertaking reviews of the Plan's investment arrangements including reviews of the asset allocation policy and current funds the Plan is invested in, as appropriate.
- vi. At their discretion, but within any guidelines given by the Trustees, 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 Trustees 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 Trustees 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 Plan's investments.

- Any breach of investment restrictions agreed between the Trustees and the Investment Managers from time to time.

Scheme Actuary

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

- i. Liaising with the Investment Managers on the suitability of the Plan's investment strategy.
- ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels. In intervening years providing actuarial reports.
- iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Plan at the triennial valuations.
- iv. Advising the Trustees of any material changes that may impact on the funding level.

Scheme Administrator

- i. Proper accounting, support in preparation of the annual report, administration of the annual audit and other financial reporting as required

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 Trustees.
- iii. Processing all tax reclaims in a timely manner.
- iv. Reconciling records of assets.

Appendix B - Investment Objectives, Guidelines & Restrictions (DB)

The current asset allocation of the Plan managed by SEI is set out below and is accurate as at the date of this SIP (subject to change over time).

The investment objective for the portfolio can be found at section 3 of this Statement and can be summarised as follows: to achieve a return on investments consistent with the Statutory Funding **Objective**, taking into account the liability profile and with due regard to risk.

The benchmark for the Plan is given in the table below:

| Fund | Target Allocation % | Benchmark Index |
|---|---------------------|---|
| Return Enhancement | 45.0% | |
| SEI Global Select Equity Fund | 10.0% | MSCI World Index |
| SEI Global Managed Volatility Equity Fund | 7.5% | MSCI World Index |
| SEI UK Equity Strategy* | 5.0% | FTSE All Share Index |
| SEI Dynamic Asset Allocation Fund | 7.5% | FTSE 100 Index |
| SEI High Yield Fixed Income Fund | 2.5% | B of A Merrill Lynch US High Yield Master II Constrained Index (GBP Hedged) |
| SEI Global Opportunistic Fixed Income Fund | 2.5% | Barclays Capital Aggregate ex Global Treasury Index (GBP Hedged) |
| Alternatives | | |
| SEI UK Property Fund | 5.0% | IPD UK Property Quarterly Index |
| SEI Liquid Alternatives Fund | 5.0% | ML 3 Month Constant Maturity LIBOR (GBP hedged) |
| Risk Management | 55.0% | |
| SEI UK Credit Fund | 7.5% | B of A Merrill Lynch Sterling Non-Gilts Index |
| SEI UK Long Duration Gilts Fixed Income Fund | 20.0% | Long Duration Gilts Index |
| SEI UK Long Duration Index Linked Fixed Income Fund | 27.5% | Long Duration Index Linked 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.

Appendix C**Scheme Actuary:**

Ash Williams, Punter Southall

Investment Adviser:

SEI Investments (Europe) Limited

Punter Southall Defined Contribution Consulting

Investment Managers:

SEI Investments (Europe) Limited

PSDCC

Standard Life

(DC) Standard Life Aberdeen

Scheme Administrator

Capita

(DC) Standard Life Assurance Limited

Appendix D DB

The table below includes the intended Funding Level Triggers and applicable timescales as at 31 December 2016 (and are subject to change):

| Trigger | Starting level |
|-----------------|-----------------------|
| Re-risk Trigger | 100.8 |
| SEI Portfolio B | 104.3 |
| Trigger 1 | 108.0 |
| Trigger 2 | 111.8 |

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.

| Asset Class | SEI Portfolio B (starting) | Trigger Portfolio 1 | Trigger Portfolio 2 |
|-------------------------|-----------------------------------|----------------------------|----------------------------|
| Return Enhancing | 45.0% | 40.0% | 35.0% |
| Matching | 55.0% | 60.0% | 65.0% |

Appendix E - Defined Contribution Fund Options

The specific investment funds available to members who wish to construct their own portfolio of funds are set out in the table below.

| Manager | Fund Name | Benchmark | Total Expense Ratio (TER) (%pa) | Active/Passive | Default |
|---------------|--|---|---------------------------------|----------------|------------------|
| Standard Life | SL Punter Southall Blended Investment 1 | CPI +2.0% | 0.49% | Active | No |
| Standard Life | SL Punter Southall Blended Investment 2 | CPI +2.5% | 0.45% | Active | Yes ⁶ |
| Standard Life | SL Punter Southall Blended Investment 3 | CPI +3.0% | 0.37% | Active | Yes ⁷ |
| Standard Life | SL Punter Southall At Retirement (Flexible Retirement) | A weighted comparator of the underlying funds' benchmarks | 0.29% | Active | Yes ⁸ |
| Standard Life | SL Punter Southall At Retirement (Annuity) | A weighted comparator of the underlying funds' benchmarks | 0.29% | Active | No |
| Standard Life | SL Punter Southall At Retirement (Drawdown) | A weighted comparator of the underlying funds' benchmarks | 0.29% | Active | No |
| Standard Life | SL Punter Southall At Retirement (Lump sum) | A weighted comparator of the underlying funds' benchmarks | 0.28% | Active | No |
| BlackRock | SL BlackRock World ex UK Equity Tracker | FTSE All World Developed ex-UK Index | 0.29% | Passive | No |
| BlackRock | SL BlackRock Over 15 Year Corporate Bond | iBoxx Over 15 years £ non-gilts Index | 0.29% | Passive | No |
| BlackRock | SL BlackRock Managed (50:50) Global Equity | 50% FTSE All-share Index, 50% overseas equities index | 0.29% | Passive | No |
| HSBC | SL HSBC Islamic Global Equity Index | ABI Global Equities Index | 0.57% | Active | No |
| BlackRock | SL iShares Index Linked Gilt Index (previously BlackRock Aquila Connect Over 5 Year Index Linked Gilt) | FTSE UK Gilts Index-Linked Index | 0.28% | Passive | No |

⁶ The SL Punter Southall Blended Investment 2 Fund is one of two funds in the 'Punter Southall 2 Flexible Retirement Lifestyle Profile' which is the default for former members of the **DB** section of the Ideal Stelrad Group Pension Plan

⁷ The SL Punter Southall Blended Investment 3 Fund is one of two funds in the 'Punter Southall 3 Flexible Retirement Lifestyle Profile' which is the default for former members of the **DC** section of the Ideal Stelrad Group Pension Plan

⁸ The SL Punter Southall At Retirement (Flexible Retirement) Fund is the second fund in both the 'Punter Southall 2 Flexible Retirement Lifestyle Profile' and 'Punter Southall 3 Flexible Retirement Lifestyle Profile'.

Further details on the lifestyle profiles and the proportions invested in each fund can be found in Appendix _.

| | | | | | |
|--------------------|---|---|----------------|---------|----|
| BlackRock | SL iShares > 15 Year Gilt Index (previously BlackRock Aquila Connect Over 15 Year Gilt) | FTSE UK Gilts over 15 years Index | 0.28% | Passive | No |
| BlackRock | SL iShares UK Equity Index | FTSE All-Share Index | 0.28% | Passive | No |
| Standard Life | Standard Life Deposit and Treasury | ABI Deposit and Treasury Index | 0.28% | Active | No |
| Standard Life | Standard Life Ethical Fund | ABI Balanced (up to 85% equity) Managed Index | 0.28% | Active | No |
| Standard Life | Standard Life Property Fund | ABI UK Property Direct Index | 0.30% | Active | No |
| P-Solve | Inflation Plus | UK RPI Index | 1.21% | Active | No |
| River & Mercantile | SL River & Mercantile Dynamic Asset Allocation Pn | SONIA +4.125% p.a. | 1.55% 0.82% | Active | No |

Appendix F - The Lifestyle Strategy Options (DC)

| Years to retirement | 7 | 6 | 5 | 4 | 3 | 2 | 1 | 0 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Punter Southall 1 Flexible Retirement Lifestyle Profile | | | | | | | | |
| SL Punter Southall Blended Investment 1 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Flexible Retirement) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |
| Punter Southall 2 Flexible Retirement Lifestyle Profile ⁹ | | | | | | | | |
| SL Punter Southall Blended Investment 2 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Flexible Retirement) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |
| Punter Southall 3 Flexible Retirement Lifestyle Profile ¹⁰ | | | | | | | | |
| SL Punter Southall Blended Investment 3 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Flexible Retirement) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |
| Punter Southall 1 Lump Sum Lifestyle Profile | | | | | | | | |
| SL Punter Southall Blended Investment 1 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Lump Sum) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |
| Punter Southall 2 Lump Sum Lifestyle Profile | | | | | | | | |
| SL Punter Southall Blended Investment 2 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Lump Sum) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |
| Punter Southall 3 Lump Sum Lifestyle Profile | | | | | | | | |
| SL Punter Southall Blended Investment 3 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Lump Sum) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |

⁹ The Punter Southall 2 Flexible Retirement Lifestyle Profile is the default for former members of the DB section of the Ideal Stelrad Group Pension Plan

¹⁰ The Punter Southall 3 Flexible Retirement Lifestyle Profile is the default for former members of the DC section of the Ideal Stelrad Group Pension Plan

Punter Southall 1 Annuity Lifestyle Profile

| | | | | | | | | |
|---|------|-----|-----|-----|-----|-----|-----|------|
| SL Punter Southall Blended Investment 1 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Annuity) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |

Punter Southall 2 Annuity Lifestyle Profile

| | | | | | | | | |
|---|------|-----|-----|-----|-----|-----|-----|------|
| SL Punter Southall Blended Investment 2 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Annuity) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |

Punter Southall 3 Annuity Lifestyle Profile

| | | | | | | | | |
|---|------|-----|-----|-----|-----|-----|-----|------|
| SL Punter Southall Blended Investment 3 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Annuity) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |

Punter Southall 1 Drawdown Lifestyle Profile

| | | | | | | | | |
|--|------|-----|-----|-----|-----|-----|-----|------|
| SL Punter Southall Blended Investment 1 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Drawdown) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |

Punter Southall 2 Drawdown Lifestyle Profile

| | | | | | | | | |
|--|------|-----|-----|-----|-----|-----|-----|------|
| SL Punter Southall Blended Investment 2 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Drawdown) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |

Punter Southall 3 Drawdown Lifestyle Profile

| | | | | | | | | |
|--|------|-----|-----|-----|-----|-----|-----|------|
| SL Punter Southall Blended Investment 3 Pension Fund | 100% | 86% | 71% | 57% | 43% | 29% | 14% | |
| SL Punter Southall At Retirement (Drawdown) Pension Fund | | 14% | 29% | 43% | 57% | 71% | 86% | 100% |