Statement of Investment Principles

East of England Co-op Retirement Benefits Scheme

September 2020

1. INTRODUCTION

Under Section 35 of the Pensions Act 1995 (the '**1995 Act**'), subsequently amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations**") and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, trustees are required to prepare a statement of principles governing decisions about investments for their pension funds. This Statement of Investment Principles (the '**SIP**') describes the investment policy, guidelines and procedures being pursued by the trustee (the **'Trustee'**) of the East of England Co-op Retirement Benefits Pension Scheme (the '**Scheme'**). The Trustee believes this is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of the Investment Regulations.

In accordance with the Act, the Trustee confirms 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 East of England Co-operative Society Limited (the 'Principal Employer' of the Scheme). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustee has adopted for determination of the Scheme's Statutory Funding Objective and the associated Recovery Plan to repair any funding shortfall.

The Trustee believes SEI in their capacity as investment adviser, is qualified by their ability and practical experience of financial matters and has appropriate knowledge and experience of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme's assets and arranges the administration of the Scheme. Where they are required to make an investment decision, the Trustee receives and considers advice from SEI first and 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 Trustee is responsible for setting a general investment policy, but has delegated the day-to-day investment of the Scheme's assets to the Investment Manager.

The Investment Manager (SEI) is authorised and regulated by the Financial Conduct Authority (FCA) and provides the expertise necessary to manage the investments of the Scheme.

Declaration

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

Signed . . . . Date . . . .

For and on behalf of East of England Co-operative Society (Trustees) Limited, in its capacity as the Trustee of the East of England Co-op Retirement Benefits Scheme

2. SCHEME GOVERNANCE

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers the governance structure set out in this SIP to be appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management to the Investment Manager as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

3. INVESTMENT OBJECTIVES

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

1. To make sure that, together with contributions from the employer the assets can meet the Scheme's obligations to the beneficiaries of the Scheme;

2. To strike an acceptable balance between the stability of funding and the long-term cost of benefit provision; and

3. To achieve, over the long term, a rate of investment return sufficient to outperform the growth of the Scheme's liabilities and reach full funding on an appropriate basis while only taking the level of risk required to achieve this objective with a reasonable degree of certainty.

The Trustee has determined that an appropriate rate of investment return to meet these objectives is 2.6% per annum in excess of the return on UK gilts. Such rate of return may be adjusted by the Trustee from time to time. The Trustee has engaged with its advisers to ensure that excessive risk will not be taken in achieving this level of investment return. The Trustee had taken account of the financial strength of the Principal Employer together with the security that the Scheme enjoys from an Asset Backed Funding vehicle (ABF) established by the Principal Employer for the benefit of the Scheme.

4. INVESTMENT STRATEGY

4.1 General Policies

The Trustee's approach to investment strategy is to allocate the assets into the following broad asset categories in order to meet the investment objectives:

- Liability Driven Investments (LDI) - 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, UK credit and liability driven derivative overlays such as interest rate and inflation swaps.
- Growth Assets - these investments exist in the portfolio to generate return relative to the liabilities. Assets in this pool include:
  - Equities
  - Diversified Growth Strategy
  - Multi-Asset Credit:

    Assets in this pool consist of, but are not limited, to government bonds investment grade bonds, emerging market debt, and high yield bonds.

The Trustee's investment objective determines the split of assets between these components and within each component via the allocation to five sub sections outlined in Appendix B.

4.2 Asset Allocation

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

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 Manager and the Trustee (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 Trustee's goal of meeting the Statutory Funding Objective.

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

5. STRATEGY IMPLEMENTATION

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

- Selecting appropriate pooled investment funds suitable for the Scheme;
- Defining the allocations to each investment vehicle or segregated portfolio. Making changes and adjustments where appropriate.

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

5.1 Mandates and Performance Targets

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

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

5.2 Fiduciary Management Agreement

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

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

5.3 Diversification

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

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

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Investment Adviser and the Trustee. These ranges and sets of limitations are specified in the Fiduciary Management Agreement 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 in Appendix B). The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

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

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

6. MONITORING

6.1 Investment Management

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

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

6.2 Statement of Investment Principles (SIP)

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

6.3 Trustee

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

7. RISKS

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

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

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

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

- **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 Trustee will control these risks by monitoring their key characteristics and setting appropriate tolerances.

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

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

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

- **Credit risk**
  The possibility of default of a counterparty in meeting its obligations. The Trustee has set guidelines with the investment manager to limit its exposure to investments with high credit risk.

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

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

- **Derivative risk**
  Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks 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 Trustee also has an agreement with the Principal Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer. In particular, the Trustee 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 Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

  The Trustee will keep these risks under regular review.

8. OTHER ISSUES

8.1 Statutory Funding Objective

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

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

8.2 Asset Backed Vehicle

The Trustee has purchased an interest in a Scottish Limited Partnership (SLP) with the Principal Employer and will receive payments as specified in the terms of the Amended and Restated Limited Partnership Agreement which will be calculated based upon a proportion of the rental income from the properties which is paid to the SLP.

8.3 Corporate Governance, Social, Environmental and Ethical Issues

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

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

Following advice from the Investment Adviser, the Trustee has adopted a policy of delegating responsibility for the consideration of environmental, social and governance (ESG) issues such as climate change to the Investment Manager and its delegates. The Trustee is 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 Trustee up to date with their latest position on ESG factors.

As noted above, the Investment Manager is expected to take account of all financially material factors in the selection of investments. The Trustee, and the Investment Manager, will keep this under review.

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

The Trustee has decided not to take non-financial considerations into account in the selection, retention and realisation of investments. For this purpose, non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme. In reaching this decision, the Trustee has considered both the challenges of engaging a properly representative sample of members and the strong likelihood of a lack of consensus among those most likely to respond to such a consultation.

8.4 Realisation of Assets

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

8.5 Custody

The Trustee has appointed SEI through a Fiduciary Management Agreement whereby SEI is responsible for the Custody of the Scheme assets. SEI has appointed SEI Global Nominees Ltd ("SEI Global") to act as a nominee and to hold assets on behalf of the Scheme. Custody accounts are operated in accordance with the applicable FCA rules. The Scheme holds units in pooled investment funds. These units represent the assets of the Scheme. Scheme assets are segregated from the assets of SEI.

All of SEI's Irish-registered equity and fixed income funds have Brown Brothers Harriman Trustee Services (Ireland) Limited (BBH) as the custodian for those funds. BBH is regulated by the Central Bank of Ireland. Third party funds such as Fulcrum and BMO will have their own legal structure custodial arrangements in place.

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

8.6 Use of Derivatives

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

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

8.7 Conflicts of Interest

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

8.8 Voting, Stewardship & Engagement

The Scheme's investments are achieved via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. The 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 SEI, or in the case of a third party pooled fund, its investment manager.

The management of the Trustee's policy in relation to the exercise of rights (including voting rights) and other engagement activities in respect of an investment is as follows:

- Voting decisions on stocks are delegated to the investment manager of the pooled fund. Where this is SEI, SEI has pooled the holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services. SEI is also a signatory to the UK Stewardship Code issued by the Financial Reporting Council. SEI will report on voting and engagement activity to the Trustee on a periodic basis together with its adherence to the UK Stewardship Code.

- SEI, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments:

    (a) with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity);

    (b) about relevant matters including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. Under the Investment Regulations the Trustee must document the methods by which and the circumstances under which the Trustee monitors and engages with the relevant persons about relevant matters. The Trustee has delegated the responsibility for such monitoring and engagement to SEI.

SEI will report on voting and engagement activity to the Trustee on a periodic basis together with its adherence to the UK Stewardship Code. The Trustee will consider whether the approach taken was appropriate or whether an alternative approach is necessary.

Additional Voluntary Contributions (AVCs)

Under the Fund's Trust Deed and Rules, members are allowed to invest Additional Voluntary Contributions (AVCs) in defined contribution arrangements to improve the benefits they receive at retirement. The Trustee has selected a range of investment funds for the AVCs to be invested in. The Trustee reviews these arrangements regularly having regard to their performance, the objectives and the views of the Defined Contribution Adviser, Royal London Group, 5th Floor Churchgate House, 56 Oxford Street, Manchester, M1 6EU.

8.9 Asset manager arrangements

Incentivising and monitoring managers to align with Trustee's investment strategy

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

If SEI does not meet its objectives it may ultimately result in the termination of its mandate. The agreement with SEI allows the Trustee to terminate with 90 days' notice.

SEI engages third party asset managers either through the use of third party pooled funds or through the appointment of asset managers within multi-manager pooled funds.

SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy and objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to SEI, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Scheme. SEI is responsible for fee arrangements with asset managers, the costs of which are borne directly by the Scheme.

Medium to long term and non-financial performance

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

Monitoring portfolio turnover and costs

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

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

Monitoring manager performance and remuneration

The Trustee will as indicated above, regularly monitor and review SEI. Such review will also include how well SEI is aligned with the SIP, including in terms of ESG factors and the quality of service provided. Such assessment will include a review of actual fees paid relative to expected and contractual fee levels. In terms of third party asset managers appointed by SEI, SEI will monitor the managers' performance and fees on an ongoing basis against the particular investment strategy, objectives and fee arrangements agreed with that manager.

Duration of asset manager agreements

The agreement with SEI has an indefinite term but can be terminated by the Trustee giving 90 days' notice. The Scheme does not have any direct agreements with third party managers used by the Scheme.

Appendix A

Scheme Actuary:

Buck Consultants Limited

Investment Adviser:

SEI Investments (Europe) Limited

Investment Manager (Defined Benefits):

SEI Investments (Europe) Limited

Defined Contribution Adviser:

Investment Managers (AVCs):

Royal London Group

Custodians

SEI Investments (Europe) Limited in respect of certain pooled funds managed by SEI

Appendix B - Investment Objectives, Guidelines & Restrictions

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

The table below outlines the Target Funds available for inclusion in the strategies as well as the relevant benchmark for reporting purposes. For the avoidance of doubt, any of the strategies may also include other investments that SEI deems suitable to meet the investment objectives of the Scheme including third party managed funds or a segregated mandate upon agreement with the Trustee.

The investment objective for the Portfolio is to achieve an overall return on the Scheme's Investments of 2.6% per annum (net of fees) in excess of UK gilts. An additional objective is to strike an acceptable balance between the stability of funding and the long-term cost of benefit provision.

The Scheme will be invested in the following manner in order to achieve the objectives described above. The long term benchmark for the portfolio will be the overall investment objective outlined above. For shorter time periods additional benchmarks, including asset class benchmarks for the sub-categories, may be used subject to agreement with the Trustee.

Category	Representative Investments Target % (permitted range)	Benchmark	Objective
Equity Strategy	**17.5 (14.5 – 20.5)**		
	SEI UK Fundamental Equity Fund*	25% UK Equities/75% MSCI World (50% hedged)	Target 1% per annum over benchmark over rolling three year periods net of fees
	SEI UK Quantitative Equity Fund*		
	SEI US Large Companies Fund		
	SEI US Small Companies Fund		
	SEI Europe ex-UK Equity Fund		
	SEI Pan Europe Small Cap Equity Fund		
	SEI Japan Equity Fund		
	SEI Pacific Basin ex-Japan Equity Fund		
	SEI Emerging Markets Equity Fund		
	SEI Global Equity Fund		
	SEI Global Managed Volatility Fund		
	SEI Dynamic Asset Allocation Fund		
	SEI Global Select Equity Fund		

Diversified Strategy	**27.5 (24.5 – 30.5)**		
	SEI UK Fundamental Equity Fund	LIBOR	LIBOR +4% per annum over rolling three year periods net of fees
	SEI UK Quantitative Equity Fund		
	SEI Dynamic Asset Allocation Fund		
	SEI US Large Companies Fund		
	SEI US Small Companies Fund		
	SEI Europe ex-UK Equity Fund		
	SEI Pan Europe Small Cap Equity Fund		
	SEI Japan Equity Fund		
	SEI Pacific Basin ex-Japan Equity Fund		
	SEI Emerging Markets Equity Fund		
	SEI Global Equity Fund		
	SEI Global Managed Volatility Fund		
	SEI Global Select Equity Fund		
	SEI Global Fixed Income Fund		
	SEI Global Opportunistic Fixed Income Fund		
	SEI Emerging Markets Debt Fund		
	SEI High Yield Fixed Income Fund		
	SEI UK Credit Fixed Income Fund		
	SEI Structured Credit Fund		
	SEI Core Fund		
Multi Asset Credit Strategy	**21.25 (18.25 – 24.25)**		
	SEI Global Fixed Income Fund	LIBOR	LIBOR + 3% per annum over rolling three year periods net of fees
	SEI Global Opportunistic Fixed Income Fund		
	SEI Emerging Markets Debt Fund		
	SEI High Yield Fixed Income Fund		
	SEI UK Credit Fixed Income Fund		
	SEI Structured Credit Fund		

	SEI Energy Debt Fund		
	SEI Global Short Duration Bond Fund		
	SEI Global Absolute Return Fixed Income Fund		
Corporate Bond Strategy	**11.25 (8.25 – 14.25)**		
	SEI UK Credit Fixed Income Fund	ICE BoAML Sterling Non-Gilts Index	Target 0.5% per annum over benchmark over rolling three year periods net of fees
	SEI UK Long Duration Credit Fund	ICE BofAML 15+ Year A Sterling Non-Gilt Index	
Liability Driven Investment Strategy	**22.5 (17.5 – 27.5)**		
	SEI UK Gilts Fixed Income Fund	LDI Benchmark**	Matching as far as possible movements in the liabilities
	SEI UK Long Duration Gilts Fixed Income Fund		
	SEI UK Index Linked Gilts Fund		
	SEI UK Long Duration Index Linked Fixed Interest Fund		

Hedge ratios of interest rates of 75%, and inflation of 85%, of the value of the Technical Provisions liabilities are targeted by the Scheme's assets in the table above. They will be rebalanced from time to time. A further hedge ratio of interest rates of circa 10% of the value of the Technical Provisions liabilities is provided by the Scheme's Asset Backed Funding (ABF) arrangement.

*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.

**The LDI Benchmark is determined to be a portfolio of replicating gilt and/or swap instruments that match a proportion of the Schemes' Technical Provisions sensitivities to interest rates and inflation (to be agreed from time to time with the Trustee).

The above target allocations are rebalanced monthly when any one category deviates from its target range (as specified in the table above). Cash flows will be used as far as possible to re-balance the benchmark allocation.

SEI and its delegates and sub-delegates are permitted to engage in Derivative overlay solutions for the Portfolio if included in the asset allocation above. The purpose of the Derivative overlay solution is to hedge against clearly defined risks of the Portfolio. To the extent that the non-Derivative component of the Portfolio is exposed to clearly defined risks, and Derivative contracts exist which can be used to reduce those risks, SEI and its delegates and sub-delegates are permitted to use such Derivatives for hedging purposes. For example, Derivatives can be used to extend the duration of the portfolio via interest rate swaps.

A “Derivative” is a security or contractual agreement which derives its value from some underlying security, commodity, currency, or index.

These guidelines classify derivatives into two separate categories:

1) Forward-based derivatives, including forward contracts, futures contracts, swaps, and similar instruments, and

2) Option-based derivatives, including put options, call options, interest rate caps and floors, and similar instruments.