Vector Pension Scheme

Statement of Investment Principles

September 2020

Vector Pension Scheme

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Contents

Version Update

Version	Effective from
4.0	May 2010
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1 Introduction

This document constitutes the Statement of Investment Principles (the "SIP") required under Section 35 of the Pensions Act 1995 for the Vector Pension Scheme (the "Scheme"). It describes the investment policy being pursued for the Scheme by the Directors of the Vector Pension Trustees Limited (the "Trustee" of the Scheme) and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the 2001 Myners' Principles"). This SIP also reflects the requirements of Occupational Pension Schemes ((Investment and Disclosure)(Amendment and Modification) Regulations 2018.

The Scheme Actuary is Nick Vine of XPS Pensions; the Investment Adviser is River and Mercantile Investments Limited. They are collectively termed the "Advisers". The Scheme Lawyers are Osborne Clarke.

The Trustee confirms that, before preparing this SIP, it has consulted with Vector Industries Limited (the "Company") and has obtained and considered written advice from the Investment Adviser.

The Trustee is responsible for the investments of the Scheme's assets and where the Trustee is required to make an investment decision, it always receives written advice from the Advisers first and it believes that this, together with its own expertise and training, ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme's assets to River and Mercantile Investments Limited ("R&M"), hereafter referred to as the "Investment Manager". The Investment Manager has discretion to invest the Scheme assets in underlying securities and funds, either directly or through the use of other investment managers of pooled funds (hereafter referred to as the "Underlying Managers") to run the portfolio on a day-to-day basis. The Trustee has acknowledged and considered with sufficient diligence the potential conflict that may arise from the Investment Manager and the Investment Adviser being the same organisation.

1.1 Declaration

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

Signed .... **Date** ....

Signed .... **Date** ....

For and on behalf of the Trustee of the Vector Pension Scheme

2 Scheme Governance

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

The Trustee believes that it should be collectively involved in the investment decision-making and has therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

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 qualitative objectives:

- To ensure that the accumulated fund together with any contributions payable by the Company in the future are invested in such a manner that the benefits for each member can be paid from the Scheme as they arise.
- To limit the risk of the assets failing to meet the liabilities over the long term.

In order to meet these qualitative objectives, the Trustee has set the following quantitative objectives. These are measurable and quantifiable objectives that the Trustee can use to monitor the ongoing performance of the Scheme's investments to ensure the qualitative objectives are met.

- To achieve returns equal to the change in the value of the liabilities + 2.1% p.a. on the total assets after including the performance of the liability hedging swaps overlay and the sensitivity of collateral assets or cashflow matching credit assets held to changes in interest rates and inflation expectations.

The Advisers have worked with the Trustee to agree these objectives. These objectives have due regard to any future contributions expected from the Employer.

4 Investment Strategy

4.1 Investment Structure

The Trustee's approach to investment strategy is to allocate the assets into three pools – Growth assets, Collateral assets and liability hedge, and Cashflow matching credit assets.

1. **Growth Assets**
   - The primary purpose of the assets utilised in this component of the investment structure is the generation of the targeted level of investment return in a risk-controlled manner.
   - Eligible assets will include, but not be limited to, equities, high yield bonds, property, commodities, hedge funds, alternatives and equity derivative strategies.
   - These assets will be managed by River and Mercantile Investments Limited subject to the terms and restrictions of the Investment Management Agreement entered into between the Trustee and River and Mercantile Investments Limited.
   - The Investment Management Agreement specifies the maximum and minimum allocations to specific asset classes, but discretion as to the actual allocation from time to time has been delegated to the Investment Manager.
   - Equity derivative overlay strategies used in the investment strategy would be subject to the terms and guidelines of the Investment Management Agreement entered into with River and Mercantile Investments Limited.
   - The targeted level of investment return will be 3 month LIBOR + 3% p.a., net of management fees. With effect from 30 September 2020, the targeted level of investment return will be SONIA + 3.125% p.a., net of management fees.
2. **Collateral assets and liability hedge**
   - The primary purpose of the assets utilised in this component of the investment structure is risk management, protection and in particular managing liability risk resulting from changes in interest rates and market expectations of future inflation.
   - The physical assets invested in will include, but not be limited to, fixed interest gilts, inflation-linked gilts and cash.
   - The physical assets will be augmented by a "swap overlay" such that in combination with the physical assets this component of the investment structure provides the required level of liability hedging.
   - The swaps overlay will include the use of derivatives such as long-dated interest rate swaps, inflation swaps and total return swaps based on an underlying Gilt or Gilt Index.
   - The assets and derivatives in this component of the investment structure will be managed under the Investment Management Agreement with River and Mercantile Investments Limited.
3. **Cashflow matching credit assets**
   - The primary purpose of this allocation is the efficient distribution of income and capital to match a proportion of liability cashflows as well as mitigating some of the interest rate risks inherent in the liabilities.
   - The physical assets will be invested in a portfolio or corporate bonds.
   - The strategic target yield at inception of the mandate is gilts+1.2% p.a.

The Trustee has agreed, following advice from their Investment Adviser, to allocate 55% of the Portfolio to Growth assets, 15% of the Portfolio to the Collateral assets and 30% of the Portfolio to Cashflow matching credit to achieve the overall target of liabilities + 2.1% per annum (net of fees). The Trustee acknowledges that the allocation to Cashflow matching credit will reduce over time (unless the Scheme's asset allocation is actively rebalanced) as income and capital is distributed and therefore excluding Cashflow matching credit 79% of the remaining portfolio will be invested in Growth assets and 21% in Collateral assets.

The Trustee, in conjunction with its Investment Adviser, will monitor the ongoing allocation to each pool of assets due to market movements. The Trustee recognises that the actual asset allocation may fluctuate depending on the performance of investment markets. The Trustee will consider advice from its Investment Adviser when addressing whether to rebalance the actual asset allocation back to the strategic split between Growth assets, Collateral and liability hedge assets, and Cashflow matching credit assets.

4.2 Asset Allocation

The Trustee recognises the importance of asset allocation to the overall investment returns achieved. However, given the delegated approach to managing the Growth assets, the Trustee also recognises that the asset allocation will change as a result of a range of factors, including changes in market conditions.

However, in recognition of the risks that asset allocation can imply, asset allocation control ranges are specified in the Investment Management Agreement.

4.3 Suitability

The Trustee has taken advice from the Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its liability profile, objectives legislative requirements, regulatory guidance and specifications in the Trust Deed.

The Trustee is also aware in particular that the Investment Manager is regulated by the Financial Conduct Authority in pursuit of the functions provided, and that this is a means of establishing suitability under the Pensions Act 1995. The Trustee will continue to monitor the ongoing suitability of its providers through regular meetings and reports.

5 Strategy Implementation and Managers

5.1 The Investment Manager

The Trustee, in consultation with their Advisers, delegated the day-to-day investment of the assets to the Investment Manager under the terms of the Investment Management Agreement.

Under this structure the Investment Manager is appointed to invest the Scheme's assets through:

- Determining the composition of all elements of the Growth assets.
- Selecting underlying managers.
- Defining the allocations to each underlying manager and the most appropriate form of access.
- Making changes to all of the above where appropriate.
- To appoint the manager(s) for the Cashflow matching credit mandate and make changes where appropriate.

The performance expectation of this process is delivery on the investment objective set for the Growth assets.

Under this structure, for the Collateral and liability hedge assets, the Investment Manager has discretion in respect of:

- Collateral management.
- Trading new swap contracts in line with the guidelines specified by the Trustee.
- Decisions over the appropriate swap contracts (including the use of swaptions) and gilts to use in order to meet the Trustee guidelines.
- The levels of interest rate and inflation hedging (subject to ranges set by the Trustee).

5.2 Mandates and Performance Objectives

The Trustee has received advice on the appropriateness of the Investment Manager's performance objectives, benchmarks and risk tolerances from the Advisers and believes them to be suitable to meet the Scheme's objectives. The Investment Manager has been mandated by the Trustee to manage the investments, and details of these mandates are set out in the Investment Management Agreement

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk. 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 Manager and the Trustee. Set limitations for the Growth assets are specified in the Investment Management Agreement with the Investment Manager and may be revised from time to time where considered appropriate as circumstances change. This will also include reference to the Cashflow matching credit mandate. The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has taken advice on the suitability of the contracts and has delegated responsibility to the Investment Manager to implement these instruments on its behalf. Derivative instruments are used in the portfolio for risk management, or to achieve exposure to an asset class in a more efficient or risk-controlled manner. Within the Cashflow matching credit mandate this has been delegated to the underlying manager(s).

6 Monitoring

6.1 Investment Manager

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

The Trustee will hold regular meetings with the Investment Manager and/or the Advisers to satisfy themselves that the Investment Manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the assets of the Scheme.

In any event the Trustee will formally review the progress and performance of the Investment Manager every year. As part of this review, the Trustee will consider whether the Investment Manager:

- Is carrying out its work competently. The Trustee will evaluate the Investment Manager based on, amongst other things:
  - The Investment Manager's performance versus its benchmarks.
  - The level of risk within the portfolio given the specified risk tolerances.
- Whether the Investment Manager:
  - Has regard to the need for diversification of investment holdings in accordance with the Investment Management Agreement.
  - Has regard to the suitability of each investment and each category of investment.
  - Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

6.2 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

6.3 Statement of Investment Principles

The Trustee is required to review this SIP on a triennial basis, or, without delay, following changes to the investment strategy, and modify it with consultation from the Advisers and the Company if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Advisers as part of such a review.

6.4 Trustee

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

7 Corporate Governance and ESG

7.1 Corporate Governance and Stewardship

The Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and 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.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using R&M, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and

- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are generally made via pooled investment funds, in which the Scheme'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 (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Investment Manager. The Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Investment Manager are subject to additional sign-off by the appropriate representative from the Investment Manager.

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy is available publicly here: https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

7.2 Financially material investment considerations

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. The Trustee's policy is to delegate consideration of financially material factors to the Investment Manager who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. All references to ESG also include climate change. As part of this approach the Trustee reviews some key metrics on (usually) a quarterly basis that are provided by the Investment Manager covering environmental, social and governance factors which enable them to question the Investment Manager. If the Trustee is not comfortable with the metrics presented they will ask the Investment Manager to provide an update on the reasons behind these scores.

ESG factors and stewardship are considered, in the context of long term performance, by the Investment Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Investment Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement. It is not currently the policy of the Trustee to review and monitor these reports but rather to engage with the Investment Manager based on the quarterly portfolio monitoring as required.

7.3 Non-financial matters

The Trustee does not at present take into account non-financial matters (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 there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

8 Risks

The Trustee recognises a number of risks involved in the investment of assets of the Scheme:

i. **Funding and asset/liability mismatch risk –** the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:

   - The Trustee has framed their investment objective (as described in Section 3) relative to a proxy for the Scheme's liabilities using a gilt curve. The Trustee monitors the change in the liabilities relative to the change in asset values on a quarterly basis.
   - The Trustee also recognises the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than is implied by the liabilities.
   - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk as set out in Section 3. Downside risk is measured by reference to the change in the value of the liabilities due to financial market factors (primarily interest rates and inflation) and can therefore be assessed as part of the quarterly review process.
   - This risk is also monitored through regular actuarial and investment reviews.
   - A liability hedge has been implemented specifically to reduce this risk.

ii. **Underperformance risk –** the risk of underperforming the benchmarks and objectives agreed by the Trustee. This risk is minimised using the following techniques:

   - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
   - The use of instruments and strategies designed to control the extent of downside exposure.
   - The use of passive management for assets classes where the downside risk of active management is considered too high.
   - Regular monitoring of the active managers' performance, processes and capabilities with respect to their mandate, and by use of more than one manager to avoid over exposure to one organisation.

   In addition, the Trustees have agreed with the Investment Manager specific risk parameters for the Growth assets, these are set out in the Investment Management Agreement.

iii. **Country risk –** the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across several countries.

iv. **Concentration risk –** the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

v. **Mismanagement risk –** the risk of unsuitable investment activity by the Investment Manager. This is addressed in the Investment Management Agreement with the Investment Manager which contains a series of restrictions. The activity and processes of the underlying investment managers are monitored regularly by the Investment Manager on behalf of Trustee.

vi. **Default risk –** the risk of income from assets not being paid when promised. This is addressed through the restrictions set out in the Investment Management Agreement. In particular exposure to corporate, high yield or emerging market bonds is managed using diversified portfolios of such bonds and setting minimum credit ratings and concentration limits.

vii. **Organisational risk –** the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Manager and Advisers.

viii. **Counterparty risk –** the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

ix. **Liquidity / Cash flow risk –** the risk that the Scheme is unable to realise sufficient assets to pay cash flow requirements when required. This is addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets. The Scheme has put in place a Cashflow matching credit allocation specifically tailored to its projected future cash needs.

x. **Currency risk –** the risk that fluctuations in the value of the overseas currencies can affect the total return of the Scheme's investments when compared to a Sterling benchmark. The Trustee has elected to give the Investment Manager discretion to hedge currency exposure in the Growth assets.

xi. **Sponsor risk –** the risk of the Company ceasing to exist or having insufficient resources to meet the agreed recovery plan, which for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Company.

xii. **ESG risk** – the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Investment Manager's ESG assessment at the point of the investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio is included in the quarterly governance report.

The Trustee will keep these risks and how they are measured and managed under regular review.

9 Other Issues

9.1 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 any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation normally 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.

9.2 Additional Voluntary Contributions ("AVCs")

Members of the Scheme had the opportunity to pay AVCs, which were invested and used to increase pension benefits at retirement, or in the event of death. The Trustee established the arrangements under which these contributions were invested – details are given in Appendix B The Trustee's objectives are to maximise, as far as is reasonable and sensible in terms of exposure to risk, the value of the member's contributions plus investment returns, within the constraints imposed by the member's choice of investments, and to provide members with a choice of investment. All AVC funds are now closed to further contributions.

9.3 Realisation of Assets

The Trustee policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment strategy.

The majority of the Scheme's Growth assets are held in pooled funds, most of which can be realised easily if the Trustee so require. Whilst the Investment Manager has discretion to invest in illiquid and non-readily realisable assets, limits are placed on the extent to which such assets can be used, and these are set out in the Investment Management Agreement.

9.4 Custody

The Trustee is required to ensure that adequate custody arrangements are in place for the safekeeping of assets of the Scheme.

The Trustee has appointed CACEIS Bank. as the Custodian. Although the Trustee has a direct contractual relationship with the Custodian, the appointment and monitoring of the Custodian is delegated to the Investment Manager.

Appendix A – Responsibilities

Trustee Directors

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

i. Determining the investment objectives of the Scheme and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing the content of the SIP on at least a triennial basis and modifying it, if deemed appropriate, in consultation with the Advisers and after consultation with the Sponsoring Employer.

iv. Reviewing the suitability of the general investment policy following the results of each actuarial or investment review, in consultation with the Advisers.

v. Assessing the quality of the performance and processes of the Investment Manager by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.

vi. Appointing and dismissing Advisers and the Investment Manager, to whom the Trustee have delegated day to day management of the Scheme's assets.

vii. Assessing the ongoing effectiveness of the Advisers and custodian. Ongoing assessment to be considered at quarterly Trustee meetings, with a more formal review to be conducted annually.

viii. Appointing and monitoring the custodian(s) where applicable.

ix. Consulting with the Sponsoring Employer when reviewing investment policy issues.

x. Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.

xi. Advising the Advisers of any changes to Scheme benefits and significant changes in membership.

Investment Managers

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

i. At their discretion, but within the guidelines set out in the Investment Management Agreement, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.

ii. Investing the Growth assets in accordance with the Investment Management Agreement, including:

   - Setting the asset allocation within ranges and dynamically changing this over time.
   - Appointing and removing investment managers where appropriate.
   - Ensuring appropriate diversification of the assets.

iii. Investing the Collateral and liability hedging assets in accordance with the Investment Management Agreement, including:

   - Implementation of the derivative contracts (including interest rate and inflation swap contracts, swaption contracts and total return swaps) having due regard to the gilts portfolio, liabilities of the Scheme and overall cost to the Scheme.
   - Purchasing of gilts as required to act as part of the Scheme's liability hedge and meet its collateral requirements, paying due regard to the liabilities and costs of any purchase.

iv. Implementing the equity derivative contracts in accordance with the parameters specified in the IMA.

v. Collateral management in respect of the Scheme's derivative contracts.

vi. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

- A report of the strategy followed during the quarter.
- The rationale behind past and future strategy.
- A full valuation of the assets and a performance summary.
- A transaction report and cash reconciliation report (if requested).
- Any corporate actions taken.

vii. Providing information, as requested by the Trustee's auditors, for the preparation of the Scheme's annual accounts

viii. Informing the Trustee immediately of:

- Any breach of this SIP that has come to its attention.
- Any serious breach of internal operating procedures.
- Any material change in the knowledge and experience of those involved in the Scheme's investments.
- Any breach of investment restrictions agreed between the Trustee and the Investment Managers (including the Cashflow matching credit manager).

Investment Adviser

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

i. Assisting the Trustee in reviews of the SIP.

ii. Advising the Trustee on the appropriate split between the Growth assets, Collateral and liability hedge assets and cashflow matching credit assets.

iii. Advising the Trustee on the composition of the Liability Benchmark Portfolio and Investment Objective.

iv. Advising the Trustee how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

v. Advising the Trustee of changes in the investment environment that could present either opportunities or problems for the Scheme and the action taken by the Investment Manager as a result.

Scheme Actuary

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

i. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.

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

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

iv. Advising the Trustee and Investment Adviser of any changes to contribution levels and the funding level.

Custodian

The Custodian will be responsible for, amongst other things:

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

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

iii. Processing all tax reclaims in a timely manner.

iv. Reconciling records of assets held with those of the Investment Manager.

Legal Adviser

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

i. Liaising with the Trustee to ensure legal compliance.

Appendix B – AVC Overview

As the Vector Pension Scheme is now closed to future contributions from members, all AVC funds are now also closed and so no new contributions are directed to any providers.

Vector Pension Scheme (VPS) members

There are 3 policies under the Wolseley plan, which were transferred to VPS so that members could continue to contribute to their existing providers (no penalties were applied on transfer of monies).

- Zurich (previously Eagle Star)

The existing main VPS AVCs are held with:

- Prudential

Vector Pension Scheme Engineering (VEPS) members

Nationwide closed their AVC accounts with effect from 28th February 2008. All funds with Nationwide were transferred to Prudential accounts. The AVCs for VEPS members are held with:

- L&G
- Utmost Life and Pensions (Utmost)
- Prudential

Vector Pension Scheme Industries (VIPS) members

The AVCs for deferred VIPS members are held with:

- Utmost