

Statement of Investment Principles – September 2020

This statement of investment principles comprises five sections:

- A General principles
- B Principles applying to the defined benefit section
- C Principles applying to the defined contribution section
- D Principles applying to AVCs
- E Principles applying to Corporate Governance and ESG

A. General Principles

1. Introduction

This Statement of Investment Principles (the "Statement") sets down principles governing decisions regarding investments for the Tullett Prebon Pension Trustee Limited (the "Trustee"), the Trustee of the Tullett Prebon Pension Scheme ("the Scheme"). The Trustee of the Scheme has drawn up this statement to comply with the requirements of the following legislation:

- The Pensions Act 1995 and as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- Subsequent legislation.

The Scheme is a hybrid scheme. The Defined Benefit section provides final salary benefits to members who joined before 1 November 1991 in respect of their service up to 30 April 2003, with a defined contribution underpin in respect of the period from 1 November 1991 to 30 April 1993. The Defined Contribution section provides benefits on a money purchase basis to all other members, and to all members with respect to their service from 1 May 2003 up to 28 February 2006 or, in the case of members who joined the Scheme before 1 November 1991, up to 31 March 2006, subsequent to which the Scheme closed.

This statement is based, in relation to the Defined Contribution Section of the Scheme and the AVC arrangements on the advice of Aon as investment advisers, and, in the case of the Defined Benefit Section of the Scheme, on the advice of PiRho. Both these investment advisers have the knowledge and experience required under the Pensions Act 2005 as amended by subsequent Regulations.

The Trustee has also consulted the principal employer ("the Company").

In April 2017, the contractual liabilities of the DB Section of the Scheme were secured with a bulk annuity transaction with Rothesay Life, with the objective of transferring these liabilities to a buy-out provider in due course.

The Trustee expects the fund managers they have appointed to manage the assets

delegated to them under the terms of their contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustee will review this Statement of Investment Principles at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Company over any changes to the Statement of Investment Principles. The Trustee will regularly review the investment strategy taking into account the funding position of the Scheme and the liability profile.

The Trustee's investment responsibilities, of which this statement takes regard, are governed by the Scheme's trust deed and rules. A copy of the Scheme's trust deed is available on request and on a publicly accessible website.

2. Risk

There are various risks to which any pension scheme is exposed. The Trustee has considered the following risks in relation to developing this Statement of Investment Principles:

With respect to the Defined Benefit section:

- The risk of deterioration in the Scheme's funding level ("funding risk")
- The risk that the day-to-day management of the Scheme's assets will not achieve long term real returns. This risk includes various risks associated with the underlying investments including market risk, currency risk and stock-specific risk and is applicable to all the Scheme's assets ("manager risk")
- The risk of a significant difference in the sensitivity of asset and liability changes to changes in financial and demographic factors ("mismatching risk")
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk")
- The risk associated with lack of diversification in asset allocation ("asset concentration risk")
- The possibility of failure of the Company ("covenant risk")
- The risk of fraud, poor advice, or acts of negligence ("operational risk")

As the bulk annuity transaction with Rothesay Life of April 2017 applies to the DB Section's contractual liabilities, the Trustee is aware that the DB Section may not be exposed to some of these risks.

With respect to the Defined Contribution assets:

- The risk that the investment choices offered to members perform less well than similar funds in which members could have invested ("relative investment return risk")
- The risk of not meeting the reasonable expectations of members, given the fund choices made available ("absolute investment return risk")
- The risk of the default fund being unsuitable for some members ("default fund risk")
- The risk that investment market movements in the period running up to the retirement of defined contribution members leads to a substantial reduction in the anticipated level of pension ("pre-retirement markets conditions risk")
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly ("ESG risk"). The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme asset allocation, when selecting managers and when monitoring their performance.

Due to the complex and inter-related nature of these risks, the Trustees consider the majority of them in a qualitative rather than a quantitative manner as part of each formal investment strategy review.

The Trustee's policy is to monitor these risks on an ongoing basis, where possible. This includes monitoring the Scheme's funding level and considering the performance of the Scheme's investment managers and any significant issues that the Trustee believes may impact on their ability to meet the level of performance expected by the Trustee.

- The investment managers for the defined benefit section prepare monthly reports to the Trustee including a valuation of all investments held for the Scheme.
- The Scheme Actuary prepares annual actuarial updates of the funding level of the Scheme.
- The investment managers for the defined contribution section prepare quarterly reports to the Trustee including a valuation of the aggregate of members' accounts.
- The investment managers for the AVCs prepare annual reports to the Trustee including a valuation of the aggregate of members' accounts.

3. Governance

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates some decisions to others.

When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (section 4). These criteria are included as Appendix 1.

With respect to the defined benefit assets, excluding the assets covered by the bulk annuity:

- The Trustee, taking the advice of their investment adviser, determine and monitor the asset allocation and select the fund manager(s) to implement the strategy. The fund manager(s) operate under written contracts.
- The Trustee has delegated the responsibility for the selection of investments to the fund manager(s). The fund managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The fund managers have responsibility for generating cash as and when required for benefit payments.
- The Trustee delegates consideration of social, environmental and ethical issues to the fund manager(s). This includes the exercise of any rights attached to the investments (including voting rights). The Trustee periodically considers the fund managers' activities in these areas (e.g. by considering information contained in the fund managers' quarterly reports and by questioning the fund managers at meetings).
- The fund manager(s) are remunerated as a percentage of the value of the funds under their management. Commissions paid by the fund managers in the management of their assets are reviewed by the Trustee annually.
- The Trustee has appointed external custodians who are responsible for the safekeeping of the Scheme's defined benefit assets, and performance of the administrative duties attached, such as the collection of dividends.

With respect to the defined contribution assets and AVCs:

- The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and "direct investments" where a product is purchased directly, for example unit linked life insurance policies or units in a pooled vehicle. The Trustee selects the providers of direct investments (the funds for members' defined contribution accounts and AVCs), taking the advice of their investment adviser.
- The Trustee has delegated all day to day decisions relating to investments to the DC and AVC fund managers, including selection, realisation and exercise of voting rights. Consideration of issues relating to social, environmental and ethical issues has also been delegated. The Trustee regularly receives advice relating to the quality of the DC and AVC arrangements which takes account of such factors. Consideration of these factors forms part of the advisor's manager research process.
- The providers of the direct investments are remunerated through fees directly related to the value of the funds under management. These management fees are borne by the underlying funds.
- The custody of the investments held within the underlying funds is the responsibility of the provider.

4. Responsible Investment and sustainability

The Trustee has considered the extent to which financially material considerations such as environmental, social and governance ("ESG") issues and climate change risks may impact the selection, retention and realisation of the Scheme's investments over the likely time horizon that they will be held by the Scheme.

DB Investments

Whilst the Trustee considers that financially material considerations such as ESG issues and climate change factors are likely to have financial impacts on pension investments, in the context of the assets currently held in relation to the DB Section of the Scheme, the Trustee does not consider that these considerations would be material over the likely short time horizon of the Scheme and has not taken any specific actions in relation to these issues.

DC Investments

In relation to the assets held in the DC section of the Scheme, the Trustee recognises that an investment's financial success can be influenced by a number of factors including (but not limited to) those arising from ESG issues, including climate change. In relation to all funds in the DC Section, the Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers (within certain guidelines and restrictions). This includes consideration of

all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions.

Stewardship

The Trustee's policy is generally to delegate responsibility for the stewardship activities (including voting rights and engagement activities) attaching to all investments to its investment managers. The Trustee considers this an appropriate policy given that the Scheme is in wind-up and all investments will be held over a very short future timescale.

In relation to the Scheme's DB assets, which are invested in a buy-in policy and an ultra-short bond portfolio, the Trustee does not consider that it is able to meaningfully undertake engagement activities with the entities invested in and there is limited scope to exercise any voting rights.

Non-financial factors

The Trustee does not take account of any non-financial factors (such as member ethical views) and these are not currently taken into account in the selection, retention and realisation of the Scheme's investments.

Manager alignment

The Trustees are required, under Regulation 2(3)(d) of The Occupational Pension Schemes (Investment) Regulations 2005, to include details of their manager alignment policies in this SIP or explain why they have not done so. The Trustee has not included details of its manager alignment policies in this SIP because the Scheme is in wind-up and so all investment manager appointments are expected to terminate on a short timescale.

B. Principles applying to the Defined Benefit Section

1. Aims

The main priority of the investment policy of the Scheme is to manage its assets so that it can fulfil its obligations in respect of members' pensions.

2. Scheme Specific Funding Regime

The trust deed separates the defined benefit from the defined contribution section. The defined contribution section is not affected by the scheme specific funding regime legislation.

This statement of investment principles applying to the defined benefit section has been written in the context that the defined benefit section of the scheme is required, under the statutory funding objective, to have sufficient and appropriate assets to cover its technical provisions. This requirement is fulfilled via the bulk annuity policy with Rothesay Life.

3. Strategy

As at 30 April 2017, the DB Section has undertaken a bulk annuity transaction with Rothesay Life, with the objective of transferring the Scheme's liabilities to a buy-out provider.

Following this transaction, the investment objective of the DB Section is to maintain a portfolio of suitable assets of government securities, high quality bonds and cash of appropriate liquidity which will meet the benefits of the Scheme payable under the trust deed and rules as they fall due or until a bulk annuity covering 100% of scheme benefits has been purchased from a life assurance company.

The remaining assets of the Scheme not covered by the bulk annuity with Rothesay Life are held in a low risk, liquid portfolio of government securities, high quality bonds and cash.

4. Day to Day Management of Assets

All the defined benefit assets, excluding the annuity contract with Rothesay Life, with the exception of cash held to manage day to day liquidity, and the small holding in an unquoted investment fund, are managed by Conning Asset Management Limited ("Conning").

The Trustee appointed Conning as investment manager for the government securities, high quality bonds and cash assets within the defined benefit section of the Scheme in 2016.

The Trustee has entered into a signed agreement with Conning which sets out the terms on which the assets are managed. Conning is regulated by the FCA and has day-to-day responsibility for the investment of the Scheme's assets. All assets managed by Conning are held by Northern Trust Custodians, engaged separately by the Trustee.

Conning's permissible investments as at June 2017 consist of UK cash, short term government securities and short duration, high quality, low risk bonds. The overriding investment objective is capital preservation. The portfolio is benchmarked against the BofA Merrill Lynch 0-1 Year UK Gilt Index (G0LA). All holdings must be Sterling denominated. The portfolio comprises government, supra-national securities sovereign guaranteed issues or bank deposits/cash. The average duration of the portfolio should not exceed 1.0 years.

The investment limits on this portfolio are shown in table below:

	Max. Per Issuer	Max. Aggregate
UK Government Conventional Gilts and UK Treasury Bills	100%	100%
Cash held Custodian bank account	100%	100%
Supranational issues (AAA rated)	10%	25%
Sovereign Guaranteed issues (AA- minimum rating)	10%	25%

C. Principles applying to the Defined Contribution Section

1. Aims

The Trustee's main aim is to ensure that they meet their obligations to the members of the Scheme. To this end the following objectives have been adopted:

- To ensure that there is a sufficient number of appropriate investment options available to allow the member to plan for retirement.
- To ensure that these investment options perform at least in line with similar alternative funds in which members could save for retirement.
- To provide some protection for members' accumulated assets in the years approaching retirement against sudden volatility in the capital value.

2. Strategy

Members may choose to invest in:

- One of the Lifestyle Options - There are four Lifestyle options available, which invest in the available funds (mentioned in Appendix 2) in a pre-determined manner, in proportions dependent on the age of the member; or
- The Self Select Funds (mentioned in Appendix 2), in a proportion of their choice. There is a choice of six funds available. Members choosing Self Select Funds adopt personal responsibility for the investment characteristics associated with their choice of portfolio.

The Trustee reviews the Lifestyle options and the funds available periodically and consider their continued appropriateness.

3. Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee's do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"¹).

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

4. Day to day Management of the Assets

To meet their strategic objectives, the Trustee decided to make a number of investment options available to members via an investment platform offered by Scottish Widows, accessed via an insurance policy. Scottish Widows is regulated by the Financial Conduct Authority ("FCA") and the Trustees have entered into a signed agreement.

The Trustee has decided that it is most appropriate for the assets of the defined contribution section to be passively managed and have selected a number of funds managed by BlackRock, Inc. ("BlackRock"), but offered through the Scottish Widows platform, for this purpose. These cover a range of asset classes, including global and UK equities, corporate bonds, fixed and index-linked Government bonds, and cash. The selection of funds available takes into account the Trustees' aim of incurring reasonable fees and charges for members. Further details of the available funds are available on request.

With regards to the expected high-level characteristics of the investment options:

- The Trustee expects the long-term return on the investment options that invest in equities to exceed price inflation and general salary growth.
- The long term returns from the bond options are expected to be lower than returns from the equity options. However, fixed interest and index-linked bond funds are expected to broadly match the price of fixed increasing and index-linked annuities respectively, thus giving some protection in the amount of secured pension for members closer to retirement and who are targeting annuity purchase when they retire.
- The cash fund is expected to provide lower returns than from other asset classes. However, the cash fund is also expected to provide protection against changes in short term capital values, and may be appropriate for members approaching retirement who are to receive part or all of their retirement benefits in the form of cash.

The quality of the DC arrangements is considered periodically against the criteria set out in Appendix 1.

5. Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee's expect the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

D. Principles applying to the AVCs

The Trustee is responsible for the AVC arrangements that are in place, including the with-profit policies and other funds that members have invested with Prudential and Standard Life.

The Trustee fulfils their responsibilities in this area by undertaking periodic reviews of the appropriateness of the arrangements, including consideration of:

- Views from Aon as to the quality of the arrangements.
- Consideration of the investment strategy underlying the with-profits arrangements.
- The impact of any associated characteristics, such as guarantees.

The Trustee will act in the event of any material concerns arising, which may result in fund options being withdrawn and/or member communications being made.

The quality of the AVC arrangements is considered periodically against the investment criteria set out in Appendix 1.

E. Principles applying to Corporate Governance and ESG

In June 2018, the Department for Work and Pensions (DWP) responded to the Law Commission's report on pension funds and social investment and published a consultation on changes to the Statement of Investment Principles (SIP) requirements.

The aims were to make it clear that trustees should take into account long-term financial risks and to strengthen requirements around stewardship activities and responding to members' ethical investment concerns.

More specifically the regulation states that trustees need to set out the following within their SIP:

- How they take account of financially material considerations, including but not limited to, those arising from Environmental, Social and Governance (ESG) considerations including climate change.
- Policies on stewardship including engagement and exercise of voting rights.

In accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers. The investment managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.

The Trustee has delegated selection, de-selection and monitoring of securities to Conning Asset Management Limited.

The Investment Managers' maintains processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for fund. However, the Trustee believes that good stewardship and ESG issues may have a material impact on investment returns.

The Trustee monitors the Investment Managers to ensure that alongside other investment risks, consideration of ESG risks are integrated, where appropriate, throughout its investment decision making processes.

The Trustee does not believe that the introduction of any further restrictions on the Investment Managers relating to social, environmental or ethical considerations are in the best financial interests of the Scheme's members. As the TPPS does not invest in equities or other securities that have voting rights, there is no need for the Trustee to have a policy regarding delegation in this area.

Implementation Code

On 6 June 2019, the Government introduced further regulations which extend the disclosure requirements for trustees of defined benefit (DB) schemes in relation to their Statement of Investment Principles (SIP) and annual reports.

The June 2019 regulations have been introduced to implement certain requirements of the EU Shareholder Rights Directive regarding disclosure and

stewardship requirements.

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p><i>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</i></p>	<p>As the Scheme is invested in government, supra-national securities sovereign guaranteed issues and bank deposits/cash held in custodian bank account within set guidelines, the manager's investment strategy and decisions are in line with the Trustee's policies.</p>
<p><i>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</i></p>	<p>The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.</p> <p>As the investment portfolio precludes investing in securities that allow engagement and voting activity then this activity is not monitored.</p> <p>The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.</p>
<p><i>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.</i></p>	<p>The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.</p> <p>The Trustee evaluates performance over the time period stated in the investment managers' performance objective.</p> <p>Investment manager fees are reviewed to make sure the correct amounts have been charged and that they remain competitive.</p>
<p><i>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</i></p>	<p>The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.</p>
<p><i>The duration of the Scheme's arrangements with the investment managers</i></p>	<p>The duration of the arrangements is considered with regards to the buy-out process the Scheme is undertaking.</p> <p>As the Scheme invests in a bespoke portfolio of highly liquid securities, the Trustee considers these appropriate for their objectives.</p>

The investment managers have a mandate to track or exceed the benchmark. In keeping with market practice, the investment manager is remunerated on a set percentage of the assets under management.

RELATING TO DB SECTION ASSETS

CONNING ASSET MANAGEMENT LIMITED UK STEWARDSHIP CODE DISCLOSURE

As a fiduciary asset manager, principally of fixed income securities, Conning Asset Management Limited (“CAML”) acts at all times in the best interests of clients to protect and enhance the economic value of the investments we manage on their behalf. Good corporate governance within the Conning Group is founded upon sound governance and risk policies which protect and enhance the return to the investor. CAML offers investment management and advisory services to institutional investors and is predominantly a fixed income manager.

CAML believes it complies with the majority of Principles laid down by the Financial Reporting Council in the UK Stewardship Code (the “Code”) ‘comply or explain’ rule, and sets out below the approach taken to the key requirements with explanations of reasons for any divergence from those contained in the Code, as and when relevant. Any questions on this statement or CAML’s approach to the UK Stewardship Code should be addressed to Louisa Gjertsen, Compliance Officer at louisa.gjertsen@conning.com.

Principle 1: Institutional investors should publicly disclose their policy on how they discharge their stewardship responsibilities.

CAML’s stewardship policy is implemented via CAML’s Compliance Policies and Procedures Manual. CAML’s investment decisions are based on CAML’s own research into investment prospects. Investment research, in limited circumstances, may be supplemented by meetings with senior management of investment prospects, together with reviewing independent data and reports in order for CAML to determine its own assessment of the investment prospect. This process of analysis focuses on the long term investment decision and is an on-going monitoring process.

CAML’s Compliance Policies and Procedures Manual explains our philosophy and approach on stewardship (including how we monitor and engage with companies), our voting policy, our integrated approach to stewardship matters and how we deal with conflicts of interest. These principle stewardship elements of CAML’s Compliance Policies and Procedures Manual are set out in this statement, including the activities CAML undertakes to comply with the UK Stewardship Principles.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

CAML has a “Conflicts of Interest” Policy in place which is contained within the CAML Compliance Policies and Procedures Manuals. This policy requires CAML to act, at all times, in the best interest of the client. Should a conflict arise, CAML senior management will take appropriate action to ensure client interests are protected, including disclosure of the conflict to the affected client. A copy of CAML’s Conflict of Interest Policy is available upon request.

Principle 3: Institutional investors should monitor their investee companies.

CAML's portfolio managers monitor investee companies and, in certain circumstances may engage with investee companies. CAML monitors investee companies through in-house credit analysis. Such monitoring considers the financial implications of corporate governance risks, financial analysis and changes in corporate structures and industry specific developments.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

At CAML we consider our primary duty to clients is to act in their best financial interest. As CAML's portfolio managers approach each engaged client individually, there is no prescribed escalation strategy, as suggested by the Code, because such engagement is not seen as normally mechanistic. Further, CAML is unlikely to make public statements about its involvement; call an extraordinary general meeting; or propose shareholder resolutions. CAML's preference is to engage privately in the belief that it better serves the long-term interests of our clients to establish relationships, and a reputation, with companies in ways that enhance rather than hinder constructive dialogues.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

Where CAML believes it is likely to enhance our ability to engage with a company, and is permitted by law and regulation, CAML will work with other investors. CAML may also engage collectively, with other investors, on matters of public interest.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

As CAML is predominantly a fixed income manager, CAML does not ordinarily vote at general meetings of investee companies. Should a situation arise whereby CAML votes on behalf of a client, CAML will disclose the details of such voting at the request of the client. As fiduciaries, CAML believes this information is the property of the client, any decision to publicly disclose is at the discretion of the client.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

CAML intends to update this statement and the information contained therein as and when significant developments in CAML's approach to stewardship and voting occur. Policies and processes relating to our corporate governance activities are audited periodically under a SOC1 framework.

F. Signature

This statement is signed on behalf of Tullett Prebon Pension Trustee Limited.

A handwritten signature in black ink, appearing to read "Clive Gilchrist". The signature is written in a cursive style with some stylized flourishes.

Clive Gilchrist

Capacity: Chair of Trustee

Date: 10 September 2020

APPENDIX 1

Extract from the Occupational Pension Schemes (Investment) Regulations 2005

Section 4 – Investment by trustees

- (1) The trustees of a trust scheme must exercise their powers of investment, and any fund manager to whom any discretion has been delegated under section 34 of the 1995 Act (power of investment and delegation) must exercise the discretion, in accordance with the following provisions of this regulation.
- (2) The assets must be invested
 - (a) in the best interests of members and beneficiaries; and
 - (b) in the case of a potential conflict of interest, in the sole interest of members and beneficiaries.
- (3) The powers of investment, or the discretion, must be exercised in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.
- (4) Assets held to cover the scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the scheme.
- (5) The assets of the scheme must consist predominantly of investments admitted to trading on regulated markets.
- (6) Investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level.
- (7) The assets of the scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the scheme to excessive risk concentration.
- (8) Investment in derivative instruments may be made only in so far as they
 - (a) contribute to a reduction of risks; or
 - (b) facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk)

and any such investment must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

- (9) For the purposes of paragraph (5)
- (a) an investment in a collective investment scheme shall be treated as an investment on a regulated market to the extent that the investments held by that scheme are themselves so invested; and
 - (b) a qualifying insurance policy shall be treated as an investment on a regulated market.
- (10) To the extent that the assets of a scheme consist of qualifying insurance policies, those policies shall be treated as satisfying the requirement for proper diversification when considering the diversification of assets as a whole in accordance with paragraph (7).
- (11) In this regulation
- "beneficiary", in relation to a scheme, means a person, other than a member of the scheme, who is entitled to the payment of benefits under the scheme:
- "derivative instrument" includes any of the instruments listed in paragraphs (4) to (10) of Section C of Annex 1 to Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments:
- "regulated market" means
- (a) a regulated market within the terms of Council Directive 93/22/EEC on investment services in the securities field
 - (b) a regulated market within the terms of Directive 2004/39/EC; or
 - (c) any other market for financial instruments
 - (i) which operates regularly;
 - (ii) which is recognised by the relevant regulatory authorities;
 - (iii) in respect of which there are adequate arrangements for unimpeded transmission of income and capital to or to the order of investors; and
 - (iv) in respect of which adequate custody arrangements can be provided for investments when they are dealt in on that market;
- "technical provisions" has the meaning given by section 222(2) of the 2004 Act (the statutory funding objective).

Appendix 2

Investment Fund	Benchmark	Performance target	Annual Management Charge
Aquila 50/50 Global Equity Index Fund	50% FTSE All-Share and 50% overseas equity. Overseas equities split across the FTSE All World indices as follows: - 33% Developed Europe ex UK, 33% USA, 17% Japan and 17% Developed Asia Pacific Ex Japan	To match benchmark performance	0.12% p.a.
Aquila UK Equity Index Fund	FTSE All-Share Index	To match benchmark performance	0.12% p.a.
Aquila Corporate Bond Over 15 Year Index Fund	iBoxx Sterling Non Gilt 15 Years Index	To match benchmark performance	0.12% p.a.
Aquila Over 15 Years UK Gilt Index Fund	FTSE UK Gilts Over 15 years Index	To match benchmark performance	0.12% p.a.
Aquila Index-Linked Over 5 Year Gilt Index Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	To match benchmark performance	0.12% p.a.
BlackRock Sterling Liquidity Fund	Seven Day Sterling LIBID	To outperform benchmark performance	0.12% p.a.