Ecclesiastical Insurance Office Plc Staff Retirement Benefit Fund
Statement of Investment Principles

Contents

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1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the Ecclesiastical Insurance Office PLC Staff Retirement Benefit Fund ("the Fund"). This statement sets down the principles which govern the decisions about investments that enable the Fund to meet the Statement of Investment Principles requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004; and
- The Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.

1.2. In preparing this statement the Trustees have consulted Ecclesiastical Insurance Office PLC, the Principal Employer, and obtained advice from Mercer Limited, the Trustees' Investment Consultant. Mercer Limited is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The Trustees' investment powers are set out in Clauses 61 and 62 of the Definitive Trust Deed & Rules, dated 3 April 2013. In general the Trustees are not restricted in the kind of investment they can make. This statement is consistent with those powers.

Sectional Specific Statements

1.6. All of the assets and liabilities of the Ansvar Staff Pension Fund transferred to the Fund on 1 January 2011. The Fund now consists of two sections; the "EIO Section" and the "Ansvar Section".

1.7. Appendix 1 relates to specifics of the EIO Section of the Fund.

1.8. Appendix 2 relates to specifics of the Ansvar Section of the Fund.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Fund's assets is delegated to one or more investment managers. The Fund's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Fund's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Fund's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Fund can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to manage the expected volatility of the returns achieved in order to control volatility in the Fund's overall funding level;

3.2. The Trustees take full account of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Fund's liabilities. The Trustees set an investment strategy to balance exposure to investments in order to satisfy the Fund's objectives.

4. Kinds of investments to be held

4.1. The Fund is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2. The Trust Deed and Rules restrict the Trustees from investing in any employer-related investment.

4.3. The Trustees may from time to time decide that there are some kinds of investment that they may not choose to make. These are set out in the appendices to the Statement as applicable.

4.4. A summary of the asset allocation ranges for each of the EIO and Ansvar Sections are contained in the appendices to this Statement.

5. The balance between different kinds of investments

5.1. The Fund invests in assets that are expected to achieve the Fund's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Trustees have considered the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.

5.3. From time to time the Fund may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cash flow requirements or any other unexpected items.

5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Fund's asset allocation will be expected to change as the Fund's liability profile matures.

6. Risks

The Trustees' attitude to risk reflects the long-term nature of the Fund's liabilities to meet member benefit obligations as they fall due.

The Trustees have considered the following risks for the Fund with regard to its investment policy and the Fund's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the Fund's liabilities

The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Fund's Statement of Funding Principles.

Covenant risk

The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings and capital are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

Solvency and mismatching

This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Fund's technical provisions funding basis.

Asset allocation risk

The asset allocation is detailed in the Appendices to this Statement and is monitored on a regular basis by the Trustees.

Investment manager risk

The Trustees monitor the performance of the Fund's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.

Concentration risk

Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

Liquidity risk

The Fund invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Fund's cash flow requirements for either benefit payments or for any collateral calls around derivative contracts. The Fund's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

Currency risk

The Fund's liabilities are denominated in sterling. The Fund may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging may be employed to manage the impact of exchange rate fluctuations; details of the current arrangements are set out in the Appendix.

Loss of investment risk

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees regularly monitor the internal controls and processes of each of the investment managers.

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

8. Realisation of investments

8.1. Ultimately, the investments will all have to be sold when the Fund's life comes to an end. In this situation, the Trustees are aware that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Fund accounts.

9. Responsible and Sustainable Investment, Corporate Governance and Voting Rights

9.1. The Trustees of the Fund consider their principal obligation to be promotion and protection of the financial interests of the Fund and its members.

9.2. The Trustees believe that environmental, social and governance (“ESG”) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

9.3. The Trustees also recognise that long-term sustainability issues including climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Fund when considering how to integrate these issues into the investment decision making process.

9.4. The Trustees have given their appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

9.5. The Trustees consider how ESG, climate change and stewardship are integrated within investment processes when appointing new investment managers, monitoring existing investment managers and withdrawing from investment managers, taking input from the Investment Consultant. Monitoring is undertaken on a regular basis and is documented periodically. The Trustees have an appointed investment sub-committee who take responsibility for overseeing the Fund's investments and advising the Trustee Board thereon.

9.6. The Trustees do not explicitly consult members when making investment decisions but the Trustees regularly update members via newsletters. If any members were to contact the Trustees to provide their views on financial and non-financial matters, the Trustees will review these with due consideration. Unless a non-financial consideration is raised by a member of the Fund, it is the Trustees' standard policy to only take financial matters into account when making decisions regarding investments.

9.7. The Trustees have decided to maintain the requirement in Section A of Appendix 2 to prohibit the investment in the companies described for the Ansvar Section but this does not extend to the EIO Section. This position may be subject to future review.

10. Investment Manager Arrangements

Aligning manager appointments with investment strategy

10.1. Additional investment managers will be appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.

10.2. For future manager appointments, the Trustees will seek guidance from the investment consultant for their forward looking assessment of a manager's ability to achieve their objectives over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management.

10.3. If the investment objective for a particular manager changes, the Trustees will review the appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. Some appointments are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance or significant outperformance).

10.4. Some of the Fund's investments are managed on a segregated basis, and the Trustees have specified criteria in the investment manager agreement for the manager to be in line with the Trustees' specific investment requirements.

10.5. Some of the Fund's investments are made through pooled investment vehicles. Where this applies, the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates may be selected by the Trustees to align with the overall investment strategy. Such issues are taken into consideration when selecting and monitoring the manager to align with the overall investment strategy requirements.

Incentivising managers to consider long-term financial and non-financial performance

10.6. The investment managers provide regular stewardship monitoring reports where applicable to their mandate, which include details of voting and engagement activities. The Trustees will review these reports at least annually, and can challenge the managers' decisions to ensure the managers are considering long-term financial and non-financial performance.

Evaluating manager performance and remuneration

10.7. The Trustees receive performance reports from the investment consultant on a quarterly basis, which present performance information over various time periods. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the managers' stated target performance (over the relevant time period). The Trustees' focus is on long-term performance but may engage in discussions with the managers if there are any short-term performance concerns.

10.8. The managers are remunerated by way of a fee calculated as a percentage of assets under management.

Portfolio turnover costs

10.9. The Trustees receive MiFID II reporting from their investment managers but do not analyse the information. However, the Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may explicitly ask managers to report on portfolio turnover costs.

Duration of the arrangement with the managers

10.10. The Trustees are long-term investors and therefore are not looking to change the investment arrangements on a frequent basis. There is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

a. There is a change to the overall investment strategy that no longer requires exposure to that asset class; or
b. The manager appointment is reviewed and the Trustees have decided to terminate the mandate.

11. Compliance with this Statement

11.1. The Trustees will monitor compliance with this Statement annually. In line with the Occupational Pension (Investment) Regulations (2005), the Trustees are required to review the Statement at least every three years.

11.2. The Trustees will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy.

Signed……

Date……

On behalf of the Ecclesiastical Insurance Office PLC Staff Retirement Benefit Fund

Signed……

Date……

On behalf of Ecclesiastical Insurance Office PLC

Appendix 1

Note on investment policy of the EIO Section of the Fund

Notes on investment policy of the Fund in relation to the current Statement of Investment Principles dated 25 September 2020.

A. Investment Strategy

The Fund has a strategic asset allocation with both EdenTree Investment Management ("EdenTree") and Insight Investment ("Insight"), as set out below. This has been agreed after considering the Fund's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

EdenTree Investment Management

The Fund rebalances the assets it holds with EdenTree when necessary, using the control ranges detailed in the table:

<table>
<tr><th>Asset class</th><th>Allocation</th><th>Control range*</th></tr>
<tr><td>UK Equity portfolio</td><td>20%</td><td rowspan="2">37.5 – 52.5% (a)</td></tr>
<tr><td>Overseas Equity portfolio</td><td>25%</td></tr>
<tr><td>Property portfolio</td><td>15%</td><td>10-15%</td></tr>
<tr><td>Cash portfolio</td><td>5%</td><td>2.5 -7.5%</td></tr>
<tr><td>Bond portfolio</td><td>35%</td><td>27.5 – 37.5% (b)</td></tr>
<tr><td>Total</td><td>100%</td><td></td></tr>
</table>

The control ranges given take into account that approximately 8% of assets will be held with Insight Investment.

Notes on allocation

a. For the overseas equity allocation, approximately 60% of the investment in overseas currency was hedged in October 2016.

b. If the value of the assets rises above the ranges set out as a result of movements in other parts of the portfolio, i.e. a fall in equity values, we would not expect the manager to be forced to sell down the bond portfolio. Hence the upper-limit can therefore be described as a soft limit.

* Movement outside these control ranges requires the authorisation of the Fund's Board of Trustees.

Insight Investment

The Trustees have appointed Insight Investment to run a Liability Driven Investment ("LDI") portfolio on behalf of the EIO section of the Fund.

The LDI portfolio is in place to generate exposure to interest rates and inflation in order to match a proportion of the exposure of the liabilities to these two factors. The Trustees have agreed that the amount held in the LDI portfolio should aim to hedge 60% of the Scheme's exposure to interest rates and inflation, valued on a gilts + 0.5% p.a. liability basis.

The exact amount required by Insight in order to implement this level of hedging will depend upon market conditions at the time of the switches, and will vary from time to time with market conditions. There is an agreement in place for when additional funds are required to maintain hedging levels to be transferred from the EdenTree portfolio to Insight.

The Trustees will formally review the LDI portfolio structure hedging levels periodically to ensure they remain appropriate.

B. Investments and disinvestments

Investments and disinvestments are made from the EdenTree portfolio and the assets bought and sold are left to the discretion of EdenTree.

C. Custodian arrangements

The Fund currently uses the Bank of New York as Custodian for the Fund's assets. The Trustees have a written agreement in place with BNY to provide Custodian services to the Fund.

D. AVC Arrangements

The Trustees have AVC contracts with One Family and Utmost Life for the receipt of members' Additional Voluntary Contributions (AVCs). From 30 June 2019, no further member contributions into any of the AVC arrangements connected to the Fund are permitted

The AVC providers are authorised and regulated by the Financial Conduct Authority.

Appendix 2

Note on investment policy of the Ansvar Section of the Fund

Notes on investment policy of the Fund in relation to the current Statement of Investment Principles dated 25 September 2020.

A. Investment Strategy

The Fund has a strategic asset allocation with EdenTree Investment Management ("EdenTree") as set out below. This has been agreed after considering the Fund's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

EdenTree Investment Management

The Fund rebalances the assets it holds with EdenTree when necessary, using the control ranges detailed in the table:

<table>
<tr><th>Asset class</th><th>Allocation</th><th>Control range*</th></tr>
<tr><td>UK Equity portfolio</td><td>26%</td><td rowspan="2">45 – 65% (a)</td></tr>
<tr><td>Overseas Equity portfolio</td><td>32%</td></tr>
<tr><td>Other – incl Property portfolio</td><td>10%</td><td>0-15%</td></tr>
<tr><td>Cash portfolio</td><td>2%</td><td>0 -5%</td></tr>
<tr><td>Bond portfolio</td><td>30%</td><td>25 – 35% (b)</td></tr>
<tr><td>Total</td><td>100%</td><td></td></tr>
</table>

Notes on allocation

a. For the overseas equity allocation, approximately 60% of the investment in overseas currency was hedged in October 2016.

b. If the value of the assets rises above the ranges set out as a result of movements in other parts of the portfolio, i.e. a fall in equity values, we would not expect the manager to be forced to sell down the bond portfolio. Hence the upper-limit can therefore be described as a soft limit.

* Movement outside these control ranges requires the authorisation of the Fund's Board of Trustees

The Trustees of the Fund consider their principal obligation is to promote and protect the financial interests of the Fund and of its members. When consistent with these obligations, the Trustees' policy is to prohibit investment in certain activities on ethical grounds. Investment is prohibited in companies whose principal activities encompass the following:

Brewing and distilling alcohol

Tobacco production

Armaments production

Gaming or betting

EdenTree is responsible for ensuring that ethical guidelines issued by the Trustees from time to time are followed in assessing the suitability of Fund investments.

B. Investments and disinvestments

Investments and disinvestments are made from the EdenTree portfolio and the assets bought and sold are left to the discretion of EdenTree.

C. Custodian arrangements

The Fund currently uses the Bank of New York as Custodian for the Fund's assets. The Trustees have a written agreement in place with BNY to provide Custodian services to the Fund.

D. AVC Arrangements

The Trustees have AVC contracts with One Family and Utmost Life for the receipt of members' Additional Voluntary Contributions (AVCs). From 30 June 2019, no further member contributions into any of the AVC arrangements connected to the Fund are permitted.

The AVC providers are authorised and regulated by the Financial Conduct Authority.