THE ASSAY OFFICE RETIREMENT BENEFITS SCHEME
Statement of Investment Principles
January 2022

Introduction

This is the Statement of Investment Principles prepared by the Trustee of the Assay Office Retirement Benefits Scheme (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of the Pensions Act 1995 and The Occupational Pension Schemes (Investment) Regulations 2005.

In preparing this statement the Trustee has consulted the Principal Employer of The Assay Office and obtained advice from Quantum Advisory

The Trustee will review this statement annually or if there is a significant change in the policy on any of the areas covered by the statement.

Decisions

The Trustee's policy is to monitor and review the overall asset allocation strategy over which it retains control. In doing so, the Trustee considers the advice of their professional advisers.

The overall asset allocation strategy will be reviewed at least every three years and when the Scheme Actuary carries out the triennial actuarial valuation.

The day-to-day management of the Scheme's assets is delegated to Legal and General Investment Management ("LGIM") and BlackRock who are authorised and regulated by the Financial Conduct Authority. The fund managers are responsible for stock selection and the exercise of voting rights.

Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through the asset allocation parameters set by the Trustee or governing the pooled funds in which the Scheme is invested.

The Trustee will ensure that the Scheme's assets are predominantely invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria.

The Trustee considers the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives.

Investment Objectives

The Trustee's main investment objectives are:

- to ensure that the members' entitlements under the Definitive Trust Deed and Rules can be met
- to manage the volatility risk of the Scheme's funding position on an ongoing basis.

- to ensure that the investment strategy aims to maximise the investment returns subject to meeting the above objectives.

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As detailed below, the Trustee also requires the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

Environmental, Social, and Corporate Governance (ESG)

The Trustee has considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustee requires the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation, then the Trustee may consider terminating the relationship with that Investment Manager.

Assets

The Trustee has adopted an investment strategy where assets are invested across liability matching assets and return-seeking assets.

75% of the Scheme's assets are managed by LGIM under the target investment strategy, with the remaining 25% managed by BlackRock. Cash balances are managed and monitored by the Trustee.

The target asset allocation is as follows:

Asset Class	Allocation (%)
Matching Assets	
LGIM Matching Core Funds*	**30%**
LGIM Maturing Buy and Maintain Credit Funds	**15%**
Return Seeking Assets	
LGIM Dynamic Diversified Fund	**30%**
BlackRock Multi-Strategy Credit Fund	**25%**
Total	**100%**

*Collateral for the Matching Core LDI funds is held in the LGIM Sterling Liquidity Fund.

The Scheme invests in four leveraged LDI funds and two Buy & Maintain Credit Funds with LGIM to provide protection against the Scheme's sensitivty to interest rates and inflation expectations. The LDI funds employ leverage primarily to provide better liability matching characteristics. The target liability hedge ratio is 100% of the funded liabilites on the Technical Provisions basis.

The objective of the LGIM Buy and Maintain Credit Fund 2035 – 2039 and Buy and Maintain Credit Fund 2040 – 2054 is to provide the Scheme with credit risk exposure through investing principally in a globally diversified portfolio of non-government bonds and avoiding investment in bonds which in the opinion of the Investment Manager are likely to default or experience a significant deterioration in credit quality.

The investment objective of the LGIM Dynamic Diversified Fund is to provide long-term investment growth through dynamic exposure to a diversified range of asset classes.

The investment objective of the BlackRock Multi-Strategy Credit Fund is to achieve over the long-term a return on investment in the form of capital growth and income by investments into a diversified range of credit assets.

Fees

The fees payable by the Scheme in respect of each fund are detailed in Appendix I.

Employer-related investments

The Trustee does not have any direct Participating Employer related investments. No part of the fund may be invested in any Participating Employer related loan.

The balance between different kinds of investments

The Trustee has obtained exposure to a range of different asset classes in their investment strategy to ensure an appropriate level of diversification is achieved.

Risks

The Trustee has considered the following risks for the Scheme with regard to its investment policy:

- **Risk versus the liabilities.** The Trustee has considered the investment strategy having had regard to the Scheme's liability profile. The Trustee monitors and reviews the investment strategy with respect to the liabilities at each actuarial valuation.

- **Asset Allocation Risk**. The asset allocation is monitored on a regular basis and is formally reviewed at each actuarial valuation.

- **Investment Manager Risk**. The Trustee monitors investment manager performance on a regular basis in addition to having regular meetings with the managers. Managers have been selected based on a diversity of management style.

- **Risk from a lack of diversification.** The fund managers are required to manage broadly diversified portfolios and to spread assets across a number of individual shares, securities and alternative assets.

- **Liquidity.** The Scheme's assets are in liquid investments that can be converted into cash at short notice.

- **Derivatives.** The LDI funds use derivatives and leverage to achieve the target liability hedge ratio. The Trustee is comfortable with the use of derivatives within the Scheme's investment strategy for this purpose.

- **Currency fluctuations.** The investments are likely to be predominantly sterling based. However, it is recognised by the Trustee that currency movements have a key part to play in the long-term investment strategy of the return-seeking assets.

Realisation of investments

The Trustee has delegated the responsibility for buying and selling investments to the investment managers within the constraints of the individual funds they manage.

Disinvestment of the entire Scheme's assets may only take place with the written agreement of all the Trustees.

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

Reporting and Performance Monitoring

The Trustee regularly reviews the performance of the fund managers.

Fund manager remuneration is considered as part of the manager selection process.

The Investment Managers are remunerated by recieving a percentage of the Scheme's assets under management andDetails of the fee arrangements are set out in Appendix I. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

The Trustee receives regular performance monitoring reports from the Investment Consultant which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustee's selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities

The Investment Consultant is expected to carry out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Trustee of The Assay Office Retirement Benefits Scheme.

SIP adopted by the Trustee January 2022

Appendix I

Fees

All fees are correct as of the date of the adoption of this statement.

Legal and General Investment Management (“LGIM“)

Maturing Buy and Maintain Credit Fund 2035 - 2039:

- Ongoing Charge Figure – 0.20% p.a.

Maturing Buy and Maintain Credit Fund 2040 – 2054:

- Ongoing Charges Figure – 0.20% p.a.

Matching Core Fixed Short Fund:

- Ongoing Charge Figure – 0.30% p.a.

Matching Core Fixed Long Fund:

- Ongoing Charge Figure – 0.30% p.a.

Matching Core Real Short Fund:

- Ongoing Charge Figure – 0.30% p.a.

Matching Core Real Long Fund:

- Ongoing Charge Figure – 0.30% p.a.

Dynamic Diversified Fund:

- Ongoing Charge Figure – 0.59% p.a.

BlackRock

Multi-Strategy Credit Fund:

- Ongoing Charge Figure – 0.63% p.a.