MMA INSURANCE PLC FINAL SALARY PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

Prepared and issued by

Trustees of the MMA Insurance plc Final Salary Pension Fund

March 2022

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1 INTRODUCTION

1.1 Legislative Background

This Statement of Investment Principles ("the SIP") has been prepared in accordance with Section 35 of the Pensions Act 1995 ("the 1995 Act"), as amended by the Pensions Act 2004 ("the 2004 Act") and the Occupational Pension Schemes (Investment) Regulations 2005 ("the Investment Regulations") as amended.

In drawing up this document, the Trustees have obtained written advice from SPM Employee Benefits Limited and Sterling Financial Consultants Limited, together the "Investment Consultants", and has consulted the Principal Employer.

The effective date of this SIP is March 2022 and it replaces the previous SIP dated September 2020.. In accordance with the legislation the Trustees will review the SIP without delay after any further significant change in investment policy but, in any event, no later than March 2025.

The Trustees are required to consult the Principal Employer before preparing or revising a SIP. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

The Trustees may delegate investment powers. Section 34(2) of the 1995 Act requires that, where any decision about investments constitutes regulated investment business under the Financial Services & Markets Act 2000 ("FSMA") the delegate be appropriately authorised by the Financial Conduct Authority. If a decision does not constitute investment business the Trustees must take all reasonable steps to satisfy itself that the delegate has appropriate knowledge and experience. The Trustees' policy regarding delegation is set out in paragraphs 5.4, 5.10, 5.11 and 5.13 of the SIP below.

1.2 Fund Constitution

The MMA Insurance plc Final Salary Pension Fund ("the Fund") is a defined benefit scheme and is governed by a Definitive Trust Deed and Rules dated 22 December 2009, as subsequently amended ("the 2009 Trust Deed"). The Fund was closed to new members with effect from 1 January 2001 and to future accrual with effect from 31 December 2009, except for a short period in December 2016 when it was opened to three new members in order to make MMA Holdings UK plc a statutory employer.

Investment decisions are taken by the Trustees in accordance with Clause 6 of the 2009 Trust Deed.

2 INVESTMENT RESPONSIBILITIES

2.1 The Trustees are responsible for:

- preparing the Statement of Investment Principles and, in doing so, taking written advice from its Investment Consultants to ensure that the investment policy is suitable for the Fund,
- monitoring compliance with the Statement and reviewing its contents at least every three years and without delay after a significant change in investment policy,
- setting the strategic asset allocation of the Fund,
- appointing the Investment Managers and any external consultants thought to be necessary and
- reviewing on a regular basis the Investment Managers' performance against established benchmarks and satisfying themselves as to the Managers' expertise and the quality of their internal systems and controls.

2.2 The Investment Managers (to the extent that the Trustees have delegated their discretion) are responsible for:

- the investment of the Fund's assets in compliance with the investment mandates to which they have been appointed,
- holding portfolios as instructed from time to time by the Trustees,
- security and stock selection within appropriate asset classes,
- providing the Trustees with regular valuations of the Fund's assets and
- attending Trustees' Meetings at reasonable intervals if required.

2.3 The Custodians are responsible for:

- their own compliance with prevailing legislation.

2.4 The Investment Consultants are responsible for:

- assisting the Trustees in the preparation and review of this document,
- assisting the Trustees in their regular monitoring of the Investment Managers' performance,
- assisting the Trustees in the selection and appointment of Investment Managers and Custodians and
- assisting the Trustees in the design and implementation of appropriate asset allocation strategies.

The Trustees have set strategic objectives for the Investment Consultants and review their performance against these on an annual basis.

2.5 The Scheme Actuary is responsible for:

- providing the Trustees with advice as to the maturity of the Fund and its funding level to aid the Trustees in balancing the short-term and long-term objectives of the Fund and
- raising with the Trustees any concerns regarding investment policy that may arise through changes in liability profile or legislation.

3 OBJECTIVES

3.1 The Trustees have two funding objectives, as recorded in their Statement of Funding Principles:

3.1.1 to satisfy the Statutory Funding Objective and

3.1.2 to reach self-sufficiency[1] by 31 December 2035.

3.2 The Trustees ask the Employer about its long-term objectives for the Fund and its attitude to risk. The Trustees will consider this information (but are under no obligation to follow it) as well as the funding position and the employer covenant, including planned contributions, when determining an appropriate investment objective(s) and their appetite for risk.

3.3 The Trustees' primary investment objective is to ensure that there are sufficient funds available to enable members' benefits to be paid in full from the Fund as and when they fall due. The Trustees have, therefore, set a long-term objective to reach self-sufficiency.

3.4 The Trustees' objective is for self-sufficiency to be reached through a combination of contributions and investment returns. Taking account of the factors listed in paragraph 3.2 above, they have set a target investment return to achieve this objective.

3.5 The Trustees will seek to invest the Fund's assets in such a way as to achieve the target investment return while minimizing the expected volatility of the self-sufficiency funding level.

3.6 The Trustees aim to reduce investment risk (in relation to funding) over time as the self-sufficiency funding level improves.

3.7 The Trustees' policy for achieving their investment objectives and the methods they use to monitor and control the risks are set out in the following sections.

[1] A state where the Fund expects to be able to sustain itself by investing assets on a low-risk basis and paying benefits as they fall due, with a low probability of requiring any additional support from the sponsoring employer

4 RISKS TO THE OBJECTIVES

The Trustees have identified a number of risks that may affect their ability to meet the objectives. These risks, and the measures the Trustees are taking to mitigate them, are set out below.

4.1 ***Risk that the Principal Employer becomes insolvent or fails to make adequate contributions to the Fund to meet benefit promises***

The Trustees monitor the Employer covenant on a regular basis. If significant weakening is identified the Trustees will seek advice as to any necessary changes in strategy.

4.2 ***Risk that the funding level of the Fund falls as a result of lower than expected investment returns on the assets held***

The Trustees will ensure that the assets are diversified across asset classes, taking into account their correlations, including assets that are expected to produce real returns over the long term, to reduce the risk of this occurring.

4.3 ***Risk that the investment managers appointed under-perform their benchmark***

The Trustees monitor the risk that managers will underperform by assessing their performance on a quarterly basis and reviewing them when considered necessary. The Trustees may make use of passive management, thus removing the risk of manager underperformance from those assets. If practicable, the Trustees will aim to appoint more than one manager in respect of any active growth element of the portfolio or appoint them alongside a passive manager, thus reducing the exposure to underperformance by any one manager.

4.4 ***Risk that the Trustees receive and accept inappropriate advice from their appointed advisers***

The Trustees review their advisers on a regular basis and satisfy themselves that those advisers are appropriately qualified and have adequate Professional Indemnity insurance.

4.5 ***Risk that an individual investment, constituting a large part of the Fund's assets, fails***

The Trustees will ensure that no more than 5% of the Fund's assets are held in any one investment (as far as this is practicable through the use of pooled funds), with the exception of UK Government Bonds (including exposure gained through REPOs) and authorized, pooled swap arrangements.

4.6 ***Risk that the funding level of the Fund may change because of a fall in interest rates***

The Trustees will take advice from the Scheme Actuary and the Investment Consultants with a view to ensuring that a proportion of the investments will be held in assets that respond to changes in interest rates, and real interest rates, in the same way as does the value of the liabilities.

4.7 ***Risk that the Trustees are forced to sell assets at depressed prices to meet benefit payments or other cash calls***

The Trustees review projected long-term cash-flows following an actuarial valuation and shorter-term cash-flow projections on a regular basis. The Trustees may take advantage of the income facilities, where available, on such funds they deem to be appropriate. Where the investment income, if any, is insufficient, when combined with any Employer contributions paid, to meet these requirements, or when investments/disinvestments are of a material nature, the Trustees will seek the advice of the Investment Consultants.

Growth assets will be diversified across a number of asset classes to reduce disinvestment risk.

The Trustees consider the potential for collateral calls to be made by the Liability-driven Investments and seek the advice of the Investment Consultants in preparing for and meeting any such demands.

4.8 ***Risk that the Trustees make inappropriate decisions***

The Trustees take advice from the Scheme Actuary and Pension and Investment Consultants, as appropriate, before making decisions. The Trustees also undergo regular training relevant to their decision making. All decisions are reviewed periodically to ensure that they remain appropriate.

4.9 ***Political Risk***

The Trustees ensure that their investments are diversified across different markets, to reduce the risk of an adverse influence on investment values arising from political intervention.

4.10 ***Corporate Governance Risk***

The Trustees review the Investment Managers' policies regarding corporate governance from time to time, to ensure that such risk is being managed, either through the exercise of voting rights or through other engagement with investee companies.

5 THE TRUSTEES' POLICIES

The Trustees' policies are set out below. The current arrangements entered into by the Trustees are set out in a separate Investment Arrangement Policy.

5.1 *Setting Investment Strategy*

The Trustees determine their investment strategy after considering the Fund's liability profile, their appetite for risk, the Sponsoring Employer's appetite for risk and the strength of the Sponsoring Employer's covenant.

The Trustees are responsible for the asset allocation decision and set a scheme-specific target. This is because the Trustees believe that the Fund's characteristics should be reflected in the asset allocation.

The basis of the Trustees' strategy is to divide the Fund's assets between a "growth" portfolio, comprising assets such as equities, and a "hedging" portfolio, comprising assets whose values respond to changes in nominal and real interest rates in a similar manner to the Fund's liabilities.

In determining the investment strategy, the Trustees take into account the following information concerning the Fund:

- the nature of the benefits provided,
- the Fund's funding level (the extent to which the Fund's assets are exceeded by its liabilities), and
- the maturity of the Fund's liabilities (a mature arrangement is one which has a significant part of its liabilities represented by the value of benefits for current pensioners).

In determining their strategic asset allocation, the Trustees consider advice from the Scheme Actuary and the investment Consultant and the views of the Sponsoring Employer (though they are under no obligation to follow the advice or to comply with the Employer's views). The investment strategy is the asset allocation that the Trustees believe is the most appropriate for the Fund to meet the investment objective(s), taking into account the other relevant matters set out in this document.

The Trustees may decide to implement any newly-agreed strategy over a period.

5.2 *Policy on Types of Investment to be Held*

In respect of the growth element of the portfolio, the Trustees consider traditional and alternative asset classes. In respect of the hedging element, the Trustees take account of the liability profile of the Fund and may make use of Liability-driven Investment solutions, as well as high-quality sterling Bonds of appropriate duration.

The Trustees intend to invest in Growth assets to generate a return, over the long term, in excess of the discount rates used to determine the Fund's self-sufficiency position. They recognize that, over the short term, performance may deviate significantly from the long-term target.

In determining the balance of investments to be held for the growth element of the portfolio, the Trustees take account of the expected (net) return from the asset class, diversification, volatility and correlations between asset classes.

5.3 ***Policy on Active and Passive Management***

The Trustees consider whether each mandate awarded should be managed passively (in which case the Investment Manager's performance target will be to match the benchmark return) or actively (in which case the target will be greater than the benchmark return). The Trustees' decisions will be based on:

- the opportunities within the asset class to generate returns in excess of the benchmark return and
- the potential ability of active investment managers to generate returns above the benchmark.

Consideration will also be given to the risk of underperformance relative to the benchmark as discussed in paragraph 4.3 above.

5.4 ***Policy on Arrangements with Investment Managers***

The Trustees will seek advice on the capabilities of Investment Managers prior to any mandate being awarded. As the Trustees use pooled funds, they consider, also, whether the fund under consideration is consistent with their policies, since they are unlikely to be able to influence the manager's approach. The Trustees will consider the effect of the appointment of any single Investment Manager on the likely volatility of returns on the Fund's assets as a whole before making that appointment.

Where the Trustees elect to use a pooled fund where the manager has some freedom over the asset allocation and/or stock holdings, the Trustees monitor the performance of the fund against its target, taking into account the market environment. Where the Trustees have performance concerns, they will investigate the reasons for such underperformance, which may consider portfolio turnover and costs. The Trustees do not monitor portfolio turnover and costs on a regular basis.

The Trustees will review on a regular basis the investment performance of the Fund's assets, together with the continuing suitability of the Investment Managers. However, the Trustees remain aware that the majority of the assets are managed for the longer term and will not automatically remove a manager as a result of a short period of poor performance.

Arrangements with Investment Managers are intended to continue, subject to satisfactory performance, until the relevant mandate is no longer part of the Trustees' strategy. In this context, satisfactory performance relates not just to quarterly asset returns but to other aspects, such as risk, being in line with the fund's objectives as described by the Investment Managers to the Trustees.

Because they invest in pooled funds, the Trustees are not in a position to adopt a remuneration policy that incentivizes Investment Managers to invest in any particular fashion.

The Trustees will not enter into any agreement with an Investment Manager prior to receiving advice from their Investment Consultants on the proposed form of agreement. However, the Trustees are aware that, when investing in pooled funds, there may be little scope for amending the Manager's standard form of agreement.

The Trustees obtain regular reports from their Investment Managers on the performance of the funds, supplemented by commentary from the Investment Consultants. The Investment Managers also provide the Trustees with regular valuations of assets and unit summaries.

5.5 ***Policy on Stock Selection***

The Trustees are not authorised under FSMA to manage pension scheme assets. The Trustees delegate all stock selection decisions to their appointed Investment Managers and monitor the Investment Managers' activity in conjunction with their advisers.

The Trustees seek confirmation from the Investment Managers of their policy towards the use of derivatives and on whether the Managers engage in stock-lending and underwriting. The Trustees expect the Investment Managers to use these mechanisms only to facilitate investment and will monitor those Managers using them to ensure that no unacceptable additional risk is being added to the funds.

5.6 ***Policy on Concentration Risk***

The Trustees take advice when setting the investment strategy for the Fund and will usually invest in a range of pooled funds.

The Trustees will ensure that the portfolio is sufficiently diverse that the risks of failure of any individual investment will not impact significantly on their ability to pay the benefits promised under the Trust Deed.

The Trustees will review the arrangements if they become aware of any individual security, with the exception of UK Government Bonds (including exposure gained through REPOs) or interest-rate swaps, within the pooled funds exceeding 5% of the total value of the pooled fund assets. The Trustees understand that individual stocks may represent more than 5% of the benchmark index – in this circumstance, the Trustees are unlikely to review the arrangement, although a fund and benchmark may be sought that limit exposure to 5%. For this purpose, the Trustees will not count a pooled fund as a single investment, rather they will look through to the value of the underlying assets in any pooled fund.

5.7 ***Policy in the event of Contribution Default by the Principal Employer***

If the Principal Employer fails to make contributions in accordance with the Schedule the Trustees will seek clarification of the reasons for the default. If in the Trustees opinion contributions are unlikely to continue to be received in accordance with the Schedule they will seek advice as to whether the current investment strategy remains appropriate.

5.8 ***Policy in the event of Employer Insolvency***

Should the Principal Employer become insolvent the Trustees will immediately review their investment strategy, taking advice from the Investment Consultants and the Scheme Actuary.

5.9 ***Policy on Custody Risk***

The Trustees are not responsible for the appointment of the custodian to the pooled funds in which the funds are invested. This responsibility falls on the trustees of those pooled funds.

5.10 ***Policy on Liquidity and Realisation of Assets***

The Trustees will ensure that the assets chosen provide sufficient liquidity for the needs of the Fund. This includes meeting unanticipated demands, such as paying transfer values or meeting collateral calls from the Liability-driven Investments.

The Trustees will seek the advice of the Investment Consultants when disinvestments are of a material nature and for preparing for and meeting any collateral calls.

5.11 ***Policy on Financial Material and Non-Financial Matters***

ESG Matters

The Trustees believe the ability of the financial system to deliver attractive risk-adjusted investment returns depends on the sustainability of the underlying economic, social and environmental systems. The Trustees do not believe that systematically disinvesting from companies helps achieve this; rather the Trustees believe the Investment Manager(s) should engage with companies to improve the sustainability of the investment, particularly with regard to environmental, social and governance risk factors.

Before any new manager appointment, the Trustees will consider the manager's ESG engagement policies and how the approach might maximise the risk-adjusted returns on the Fund assets over the long term. The Trustees will review the ESG engagement policies of the appointed Investment Managers periodically and following any change to their policies.

Other Financially Material Matters

The Trustees have not identified any other specific financially-material matters at this time not already covered by other policies within the SIP.

Non-financial matters

The Trustees do not take non-financial matters into account in the selection of investments.

5.12 ***Stewardship Policy***

As the Trustees invest in pooled funds, they are not the legal owner of the individual stocks and shares held by those funds. Therefore, the Trustees are not in a position to engage with the boards of the investee companies. The Trustees are aware, however, that their Investment Managers do engage with the companies in which they invest and are happy for them to do so on such basis as they deem appropriate to improve risk-adjusted returns.

Similarly, the Trustees have no voting rights in relation to the underlying assets purchased by the Investment Managers but are notified on a regular basis of the policies followed by the Managers. The Trustees expect the Investment Managers to exercise their rights in this regard.

5.13 ***Policy on Taking Investment Decisions***

The Trustees take into account the complexity of their investment arrangements in setting their processes for decision making. Where the Trustees believe that they can achieve sufficient understanding in order to make well-informed decisions about investment matters they will not delegate the decision. If any decision the Trustees are called on to make requires additional training, the Trustees will obtain such training from the Investment Consultants, Investment Managers or other adviser as appropriate.

5.14 ***Policy on Dissemination of Investment Information***

The Trustees will review this SIP at least triennially, having taken advice from their Investment Consultants and consulted the Principal Employer. The Trustees publish the SIP online, together with an annual Implementation Statement that describes how the Trustees have exercised their stewardship responsibilities in relation to the investments.

5.15 ***Use of Investment Platform to make the Investments***

The Trustees use a third-party institutional investment platform to hold their investments in their chosen pooled funds, where available, so the Trustees will not have a direct relationship with the Investment Managers. However, this does not change the duty and responsibilities placed upon the underlying Investment Managers. If the platform does not offer the required pooled fund(s), the Trustees will employ/maintain a direct relationship with the relevant Investment Manager.

The investment platform operates as a unit-linked Life policy. The Trustees carried out due diligence checks on the appointment of the platform provider and on an ongoing basis monitor any changes to the operating environment.

5.16 ***Additional Voluntary Contributions ("AVCs")***

The Fund is closed to future accrual and future AVCs. Therefore, it is no longer possible for members to pay AVCs within the Fund. A range of funds is available to members who have AVCs in the Fund and the Trustees review these, from time to time, on a proportionate basis.