Alliance Learning Section of the Deloitte Pensions Master Plan

Statement of Investment Principles

June 2020

The Trustee confirms that the following matters have been taken into account when preparing this Statement of Investment Principles:

The Trustee has considered written advice from the Investment Advisor prior to the preparation of this Statement and have consulted University of Bolton, the "Employer", before agreeing this Statement and the investment strategy outlined in this document.

All day-to-day investment management decisions have been delegated to the investment manager, where the investment manager is authorised and regulated by the Financial Conduct Authority.

The Trustee has full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

The investment manager will continue to prepare quarterly reports on its activities and the Trustee will meet with representatives of the investment manager as required.

This Statement of Investment Principles will be reviewed at least every three years, or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken having taken advice, as appropriate and following consultation with the Employer.

1. Purpose of Statement

This Statement of Investment Principles ("Statement") has been drawn up by the Trustee (the "Trustee") of the Alliance Learning Section of the Deloitte Pensions Master Plan (the "Section") and sets out the principles governing decisions about investment of the assets of the Section. It has been prepared to comply with Section 35 of the Pensions Act 1995 (as modified by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee reviews the Section's investment strategy every three years, following each formal actuarial valuation of the Section (or more frequently should the circumstances of the Section change in a material way).

The Section is a Defined Benefit ("DB") pension scheme.

2. Consulted Parties

As required under the Act, the Trustee has consulted a suitably qualified person in obtaining written advice from Deloitte Total Reward and Benefits Limited ("DTRB" or the "Investment Advisor") on the suitability of the investments, the need for diversification and the principles contained in this Statement. DTRB is authorised and regulated by the Financial Conduct Authority ("FCA").

The Trustee in preparing this Statement has also consulted the Employer, particularly in regard of the Trustee's objectives and investment strategy.

3. Investment Powers

The Trustee recognises that the assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries. The Trustee has overall responsibility for the prudent management of the Section's assets. The strategic management of the Section's assets is fundamentally the responsibility of the Trustee, acting on advice from DTRB, and is driven by its investment objectives as set out in Section 5.

The remaining elements of policy are part of the day-to-day management of the assets that is delegated to the professional investment manager, who is authorised and regulated by the FCA.

4. Governance

The Trustee of the Section is responsible for the investment of the Section's assets. The Trustee takes some decisions and delegate others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether the Trustee has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

Trustee

- Select and monitor planned asset allocation strategy;
- Select and monitor investment advisors and investment managers;
- Select and monitor any direct investments;
- Responsible for all aspects of the investments of the Section's assets, including ESG considerations and implementation.

Investment Advisor

- Advises on this statement;
- Advises the Trustee on areas of strategy, manager selection, ESG and implementation as required;

- Produces regular reports that monitor the outcome of the Section's investments as well as the investment manager's performance against its objectives;
- Provides required training when engaged on a separate basis by the Trustee.

Investment Manager

- Operate in line with the agreement with the Trustee, which the Trustee believes is consistent with the terms of this Statement;
- Manage in accordance with the agreement, including decisions around the selection and retention of underlying investments;
- Is responsible for the stewardship of underlying investments.

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this Statement. DTRB was appointed to provide investment advisory services including the provision of this advice.

The Trustee recognises that, as the Section is invested in a range of pooled funds, there is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds.

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate to the investment manager through a written contract. These duties include:

- Realisation of investments;
- Taking into account ESG factors;
- Voting and corporate governance in relation to the financial potential of the Section's assets.

The Trustee expects the investment manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The investment manager is remunerated on a percentage value of assets basis. In addition, the investment manager pays commissions to third parties on trades they undertake in the management of the assets.

5. Investment Objectives

The Trustee's primary objectives for setting the investment strategy of the Section are set out below:

- "funding objective" – for the Section to be fully funded on a low risk basis, taking account of the strength of the Employer covenant;
- "stability objective" – to have regard to the Employer's ability in meeting its contribution payments and to have regard to the volatility of funding and security measures; and
- "hedging objective" – for the assets to hedge a significant portion of the interest rate and inflation risk associated with the Section's liabilities on a Technical Provisions basis.

The investment arrangements outlined in Section 7 have been designed with these considerations in mind.

6. Investment Beliefs

The Trustee recognises that the investment strategy should reflect the characteristics of the Section's liabilities, specifically:

- Firstly, the actuarial calculation of the Section's liabilities uses a discount rate linked to gilt yields. Therefore investments in gilts of a similar profile ("matching assets") would result in asset values moving in a comparable pattern; and

- Secondly, a proportion of the Section's liabilities are increased annually for inflation. Thus these individual liabilities have a direct link to inflation i.e. they are "real" liabilities as opposed to "nominal" liabilities.

Therefore it is considered that the best "matching assets" for the liabilities are a mixture of nominal and index-linked gilts of appropriate durations to match the Section's liabilities. Such a portfolio of assets could be considered a "minimum risk" – Liability Driven Investment (LDI) portfolio. In addition to the use of physical bonds, the Section could use interest rate, inflation and total return swaps along with gilt/index-linked gilt repurchase agreements ('repo') to gain leveraged exposure to interest rate and inflation.

The Trustee feels that is appropriate to deviate from a "minimum risk" position and invest some of the Section's assets in corporate bonds, equities, property and other growth assets in an effort to improve the ongoing technical provisions and solvency funding positions and to reduce the reliance on the Employer's contributions to fund liabilities. However, both the Trustee and the Employer recognise that holding such assets will bring increased volatility of sponsor contribution requirements in anticipation of reduced costs in the long term. The Trustee works with the Scheme Actuary and the Investment Advisor to decide what degree of risky assets are appropriate at each given point in time.

Finally, when choosing investments the Trustee has considered risks, including Environmental, Social and Governance factors, which they believe to be financially material to the Section's investments over the period needed to fund its liabilities.

7. Strategic Investment Benchmark

The Trustee has put in place the following strategic investment strategy for the Section.

Asset Class	Allocation
Global Equity	30%
UK Property	20%
Corporate Bonds	25%
Liability Driven Investments	25%

The objective of the LDI allocation is to hedge c. 75% of the interest rate risk and inflation risk associated with the Section's liabilities. To achieve this, the assets invested in these LDI funds may vary from the benchmark allocation over time.

8. Monitoring

Investment Manager

The Trustee is responsible for monitoring the Section's investment strategy. The Trustee regularly monitors the performance of the investment managers on a bi-annual basis and will take the necessary action where this is not satisfactory.

The Trustee expects the performance of the funds to match the objective of the funds.

Investment Adviser

The Trustee has set the objectives below in consultation with its investment consultant, DTRB. The objectives will be scored on an annual basis by the Trustee and any issues that arise will be actioned as the Trustee sees fit. The objectives will be reviewed on a triannual basis, or more frequently where a significant change in investment strategy is undertaken.

9. Rebalancing

In general, the investment manager has discretion in the timing of realising investments and in considerations relating to the liquidity of those investments.

As the Section is currently cashflow negative, there is generally a need to realise investments for cashflow purposes. The Trustee will disinvest assets from the Section, after taking advice from its Investment Advisor.

The Trustee will consider requesting specific advice from its Investment Advisor before undertaking any rebalancing.

When rebalancing using cashflows or to move back towards the strategic benchmark, the LDI funds will generally not be rebalanced as this would alter the level of hedging that the Section is exposed to. The level of investment in the LDI portfolio will be considered as part of larger strategic reviews of the Section's investment strategy.

10. Risks

In determining its investment policy, the Trustee has considered the following risks:

- funding and asset and liability mismatch risk – the Trustee addresses this through the asset allocation strategy, including the fact that the matching assets are spread across different maturities, and through regular actuarial and investment reviews;
- underperformance risk – this is addressed through monitoring the performance of the Investment Manager and taking necessary action when this is not satisfactory;
- risk of inadequate diversification or inappropriate investment – the Trustee addresses this by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock or sector;
- sponsor risk – the Trustee seeks to maximise overall investment returns subject to an acceptable level of risk and, as far as possible, are mindful of the impact of any volatility on the rate of contribution; and
- liquidity risk – the Trustee may need to pay pension and lump sum benefits in the short-term and, therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short notice. In practice, majority of the funds invested in by the Section provide at least weekly liquidity.
- credit and market risks – the Trustee accepts a degree of each of these risks in the expectation of being rewarded by excess returns.
- environmental, social and governance (ESG) factors – the Trustee acknowledges that ESG factors can have a financially material impact on the future returns on its investments and the Trustee's actions to mitigate these is detailed in the following section.
- non-financial risks – the Trustee has not taken these into account when deciding the choice of the Section's investments.

The Trustee will monitor these risks from time to time, particularly those deemed to have high likelihood or significant adverse impact, and will look to introduce further control measures as appropriate to contain the overall level and distribution of risks to within acceptable limits.

11. Environmental, Social and Governance (ESG) Policies and Stewardship

The investment manager is responsible for managing the Section's investments in accordance with the management agreements in place with the Trustee. The Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the investment manager.

The Trustee is responsible for setting the Section's investment strategy and implementing that strategy through appointing investment managers and selecting investment funds. When setting investment strategy and selecting investments, the Trustee's first priority is the financial interests of their members. The Trustee regularly reviews the return objectives, risk characteristics, investment approach and investment guidelines of each of the Section's current investment mandates. The Trustee is satisfied that all existing mandates fulfil the needs of their target investment strategy and by extension, that the Section's investment manager is managing the Section's assets in a manner which is consistent with members' financial interests.

The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Section's investments and the likelihood that the Section's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Section's membership been consulted on such issues.

As part of the selection, retention and realisation of the Section's investments, the Trustee, in consultation with its Investment Advisor, has reviewed the ESG and stewardship policies of the Investment Manager and are comfortable that these policies are consistent with their views. In particular, the Trustee notes the following:

- The investment manager has clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.
- The Trustee notes that the investment manager has clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the investment manager has demonstrated how it acts on these policies.
- The investment manager regularly publishes detailed results of how its stewardship policies are enacted in practice and the Trustee expects the investment manager to provide regular updates on how they exercise those rights, including how often the investment manager votes against company proposals.
- Regarding the Section's LDI assets, the nature of these assets dictate that the ESG factors are less likely to be financially material. The Trustee does however have confidence that the investment manager has adequate governance practices in place to capture key regulatory developments which might influence the future management/ performance of these assets.

The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Section's interests in the investments, having regard to appropriate advice. The Trustee expects the investment manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee expects the Section's investment manager to provide regular updates on how they exercises voting rights and actively engages with the companies in which they invest, including how often they vote against company proposals.

The Trustee will keep its investments under review, and should they feel that the investment manager no longer acts in accordance with its views on ESG, the Trustee will take the following steps:

- Engage with the investment manager in the first instance, in an attempt to influence their policies on ESG and stewardship; and

- If necessary, look to appoint a replacement investment manager or managers that are more closely aligned with the Trustee's policies and views.

These statements are made noting that the Section's assets are invested in pooled funds and as such, the Trustee is restricted in its ability to directly influence its investment manager on the ESG policies and practices of the companies in which the pooled funds invest.

12. Manager Arrangements

The Trustee recognises the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustee has set an appropriate monitoring framework to ensure the Section's investment manager are regularly reviewed. This is to promote greater transparency in understanding the reasons behind performance trends and key risk exposures, and also engagement activity and compliance with the Trustee's stated ESG policy. Regular monitoring, with specific reference to ESG factors should incentivise the Section's investment manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

The Trustee recognises the importance of regular monitoring of the investment manager's performance, remuneration and compliance against ESG policy to ensure that the Section's assets are being managed appropriately. The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager.

In addition to performance measures, the Trustee will review the engagement activity of the investment manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustee will also monitor the voting activity of the investment manager to ensure votes are being used and are aligned to their views on ESG.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and replace the investment manager if net of fees investment performance and ESG practices are not in line with the Trustee's expectations and views. This incentivises the investment manager to act responsibly.

The Trustee also reviews the fees charged by its investment manager on a bi-annual basis as part of its monitoring framework to ensure fees remain reasonable in the context of the Section's size and complexity.

The Trustee reviews investment manager costs and charges (including portfolio turnover costs) on a bi-annual basis, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustee monitors the portfolio turnover in the context of what the Trustee believes to be reasonable given the nature of each mandate. By also monitoring performance net of all costs, investment managers are incentivised to consider the impact of portfolio turnover on investment performance.

The Trustee invests in passively-managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/selling or stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

The Trustee, with guidance from their Investment Advisor, have chosen to invest in open-ended pooled funds.

For open ended pooled funds the Trustee's policy is to enter arrangements with no fixed end date. However, in this case the Trustee will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Section's open ended investments are weekly dealt. The Trustee will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustee may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Section's asset allocation over time.

Signature____

Print Name________CHARLES GODDARD________

Date____________________17/8/2020____________

Signed for and on behalf of the Alliance Learning Section of the Deloitte Pensions Master Plan