DEFAULT ARRANGEMENT STATEMENT OF INVESTMENT PRINCIPLES

Scone Estates Retirement Benefits Scheme

Contents

1. Introduction

This document has been produced by the Trustee of the Scone Estates Retirement Benefits Scheme (the "Scheme") after receiving advice from Argyle Consulting Ltd ("Argyle").

It has been prepared to comply with Section 35 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 (Charges and Governance) Regulations 2015/879.

The aims, policies and objectives of the Statement of Investment Principles ensure that the assets in the Scheme's default arrangement (the "Default Arrangement") are invested in the best interests of members and beneficiaries.

The Scheme consists of both 'defined contribution' ("DC") and 'defined benefit' ("DB") assets, and Scheme members may have DC benefits, DB benefits, or a combination of the two (in certain of those cases and depending on a member's dates of service, his or her DC benefits may be converted using a DB basis when the member begins to draw his or her benefits). The Trustee's investment powers, including as applicable to the Default Arrangement, are set out in the Scheme's Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

2. Default Arrangement Statement of Investment Principles

This Statement sets down the principles governing decisions about investments of assets and supersedes any previous Statements prepared by the Trustee.

In preparing this Statement, the Trustee has:

- Consulted with Mansfield Estates (the "Company" and the "Sponsor"), although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustee.

- Obtained and considered written professional advice and recommendations from Argyle who the Trustee appointed as investment advisers for the Default Arrangement investments. Argyle is authorised and regulated by the Financial Conduct Authority ("FCA").

- It is confirmed to the Trustee that Argyle has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The default investment strategy had consisted of two pooled funds accessed through the Phoenix Wealth platform and managed by Mercer Marsh Benefits. The Trustee instructed Argyle to review the strategy in 2020. This review highlighted various areas for consideration. Having considered the points raised by the review, the Trustee implemented a new default investment strategy recommended by Argyle. The funds were transferred to a General Investment Account on the Transact Platform in March 2021 and invested in a portfolio of funds recommended by Argyle (detailed in the Appendix).

The Trustee will review this Statement at least once every three years. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Company.

The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

3. Investment Responsibilities

3.1 Trustee Responsibilities

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore, the Trustee is responsible for setting the investment objectives and determining the strategy to achieve those objectives. It sets the overall investment target and then monitors the performance of its investment managers against the target. In doing so, the Trustee considers the advice of its professional advisers who it considers to be suitably qualified and experienced for this role. Its duties and responsibilities include but are not limited to:

- Regular approval of this Statement and monitoring compliance with this Statement
- Appointment, removal (where applicable) and review of its investment managers or investment adviser and its performance relative to relevant benchmarks
- Assessment of the investment risks run by the Default Arrangement
- Monitoring and review of the asset allocation

3.2 Investment Adviser's Duties and Responsibilities

The Trustee’s appointed investment adviser is Argyle. Argyle review the default investment strategy and performance on a six monthly basis. Areas on which it can provide advice are as follows:

- Setting investment objectives, where relevant
- Determining the strategic asset allocation
- Determining suitable funds and investment managers

It should be noted that the Trustee retains responsibility for all decisions.

Argyle receive an annual investment consultant charge of 0.70% of the Default Arrangement assets. Having reviewed the investment consultancy fees, they appear to be competitive against the wider market. The Trustee is satisfied that this is a suitable adviser compensation structure.

3.3 Investment Managers' Duties and Responsibilities

The Trustee, after considering suitable advice, allocated the assets between seven fund managers. The Default Arrangement assets are managed via the Transact investment platform.

The investment managers are detailed in the Appendix of this Statement. These investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation (if managing a multi-asset portfolio) and the exercise of voting rights. All the managers are compensated by fund-based charges on the value of the Default Arrangement's assets that they hold.

4. Setting the Investment Strategy

4.1 Investment Strategy

The Trustee has determined its investment strategy after considering the Default Arrangement's objectives, its own appetite for risk and the views, risk appetite and covenant of the Company. It has also received written advice from the investment adviser.

4.2 Types of Investment

The Default Arrangement's assets are invested on behalf of the Trustee through the Transact investment platform, with a number of underlying investment managers.

The Trustee is permitted to invest across a wide range of asset classes, including but not limited to equities, bonds, cash, property and alternative asset classes. The use of derivatives is as permitted by the guidelines that apply to the underlying fund components within the Transact portfolio. The Trustee understands that some asset classes provide a better match to the liabilities than others.

The Trustee's policy is not to invest directly in employer-related investments but may hold employer-related investments through the underlying fund components within the Transact portfolio.

4.3 Balance Between Different Types of Investment

The allocation between the different asset classes is shown in the Appendix to this Statement.

The Trustee has considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class.

From time to time the Default Arrangement may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected events.

The Trustee may also hold insurance policies which are for the benefit of certain members to match part, or all, of their liabilities.

4.4 Expected Return on Investments

The Trustee has noted the long-run relationships that exist between the returns from different asset classes and has noted the different expected risk/return characteristics of the different asset classes.

In particular, equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from corporate bonds, fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns.

The Trustee has agreed that an asset allocation of broadly 55% matching assets and 45% return seeking assets is appropriate for the Scheme.

The portfolio consists of a multi asset approach, with a large allocation to fixed interest assets. The investments will hold a high allocation in fixed interest to assist with matching liabilities for the defined benefit members. The strategy should aim to achieve returns in line with the mixed investment 20% to 60% Share sector over the market cycle. This sector broadly has a similar asset allocation to the Scheme portfolio. The volatility and asset allocation will be reviewed/rebalanced with the aim of achieving the expected returns.

4.5 Realisation of Investments

The Default Arrangement's assets are invested in a portfolio of funds which, in turn, invest generally in securities traded on recognised exchanges. The Default Arrangement's investments can generally be readily realised if necessary, and the funds are daily or weekly priced.

5. Additional Considerations

5.1 Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance issues as part of the investment process to determine a strategic asset allocation. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes it is investing in. However, the Trustee has not made an explicit allowance for risks associated with climate change as it believes that it is difficult to accurately quantify.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest in a portfolio of funds currently allocated across seven investment managers. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the investment managers invest. However, the Trustee does expect its investment managers to take account of financially material considerations.

The Trustee accepts that the Default Arrangement's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee is satisfied that this corresponds with its responsibilities to the beneficiaries of the Default Arrangement.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers as part of the investment adviser's review process. If any managers views prove to be inconsistent with the Trustee's policies, then the Trustee may look to replace them with a manager that does have consistent views.

5.2 Non-Financially Material Considerations

The Trustee has not considered non-financially material matters in the investment process.

5.3 Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should take account, where it believes appropriate, of social, environment and governance factors in the exercise of such rights. The Trustee has reviewed the investment managers voting policies and decided that they are appropriate. The Trustee will continue to monitor this regularly with the assistance of the investment adviser.

The Trustee delegates primary responsibility for corporate engagement activities to its investment managers. The investment managers engage with companies on their performance, strategy, capital structure, management of actual and potential conflicts of interest, risks, social and environmental impact and corporate governance. The investment advisers also liaise regularly with the investment managers that they recommend on subjects including ESG and how managers exercise their voting rights on behalf of the investors.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and the investment managers published corporate governance policies. The policies comply with these principles.

6. Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Default Arrangement's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustee measures and monitors its risks by receiving monitoring reports which report on the performance of its assets and its managers. The key risks and the policies are as follows:

6.1 Solvency and Mismatching Risks

This is measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a Default Arrangement specific asset allocation with an appropriate level of risk.

6.2 Concentration Risk

This is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities, and different investment managers.

6.3 Investment Manager Risk

This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.

6.4 Sponsor Risk

This is assessed as the ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit. This is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.

This is monitored according to the level of cashflows required by the Scheme over a specified time period. The Trustee will assess the cash requirements to limit the impact of cashflow requirements on the Scheme's investment policy.

6.5 Liquidity Risk

The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Scheme invests in assets that are generally invested in quoted markets and are as readily realisable as the Trustee feels suitable given the Scheme's cashflow position and the expected development of the liabilities.

6.6 Market Risk

Most of the underlying financial assets in the component funds are transacted on a regulated market. Markets provide transparency, liquidity, efficiency and regulation to ensure investors achieve a fair price for their assets. There is a chance that investors lose confidence in one or more markets, and therefore the investor is not able to buy or sell an asset. When a market is no longer functioning the prices between the buying and selling prices tend to widen.

6.7 Currency Risk

The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging is used to manage this risk.

6.8 Loss of Investment Risk

There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustee undertakes regular reviews of the internal controls and processes of the investment managers and Transact.

6.9 Environmental, Social and Governance (ESG) and Climate Change Risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio. This can lead to losses that may not have been factored into any assumptions. The Trustee has considered ESG issues as part of the investment process but has made no explicit allowance for risks associated with climate change as it believes it is difficult to accurately quantify.

7. Relationship with Investment Managers

The Trustee will continue to review its policies with the investment managers in relation to key aspects focussing on: how the investment manager is remunerated, how the Trustee reviews and monitors the performance of the investment manager and the duration of the arrangements with the investment manager.

The Trustee, with assistance from the investment adviser, will incorporate its expectations on ESG and climate change into the selection and review process for investment managers to ensure that it understands the extent to which ESG is incorporated into the Manager's investment philosophy and process.

The Trustee requires its investment managers to have integrated ESG factors as part of their investment analysis and decision-making process. The Trustee acknowledges that the investment managers of passive index tracking funds used in the default investment strategy have no pre-determined ESG policy as their main function is tracking an index, the components of which are outwith their control.

As the investments are in a multi asset approach portfolio, the Trustee has limited influence over the decisions taken by the investment managers but do monitor ESG factors on a regular basis.

7.1 Incentivising Investment Managers

The investment strategy utilises a multi asset approach and therefore the Trustee is limited in its scope to influence the investment managers to align their investment strategies with the Trustee investment policies. The Trustee acknowledges that there may be circumstances where the Manager cannot fully align their strategy and decisions to the policies of all their investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

The investment advisers regularly review the investment managers of the funds which they recommend, including their ESG policies and how they exercise their voting rights on behalf of investors. The investment adviser will update the Trustee on ESG considerations as part of their ongoing review service.

7.2 Assessing Medium to Long-Term Performance of Investments

Performance in the medium to long-term can be improved where the Investment managers make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and where they engage with issuers of debt or equity. The Trustee monitors how the investment managers make decisions based on the long-term sustainability of the companies in which they invest, their own ESG policies and their approach to climate related risks and disclosures.

The Trustee has no concerns, however should they, these will be raised with the investment manager by the investment adviser.

7.3 Monitoring Performance and Remuneration

The Trustee periodically monitors the performance of their investment managers. When assessing the performance, the Trustee considers (amongst other factors):

- The investment manager's financial performance
- Where applicable, how well the investment manager is aligned with the SIP and the Trustee's investment policies
- The quality of service provided by the investment manager, including the quality of reporting and climate-related disclosure available.

Any investment manager which is considered to be underperforming may be required to account for their performance and may be replaced.

7.4 Monitoring Portfolio Turnover and Costs

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in fund performance.

The investment strategy utilises funds with stated Annual Management Charges and either limited or no transaction costs. The Trustee will continue to monitor ongoing transaction costs and will challenge these with the investment manager should it deem these costs to be excessive.

7.5 Duration of Arrangements with Investment manager

The Trustee has no specific arrangements in place with the investment managers in relation to the duration of investment in their funds. The investment portfolio will be reviewed on a six monthly basis going forward and amendments required to any of the investment managers or component funds will be processed as and when required.

8. Compliance

The Trustee confirms that it has received and considered written advice from Argyle on the establishment and implementation of its investment strategy.

The Trustee confirms that it has consulted with the Company regarding its strategy. Copies of this Statement and any subsequent amendments will be made available to the Company, the investment managers, the Scheme Actuary and the Scheme auditor upon request.

The Trustee will review this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

SIGNED ON BEHALF OF THE TRUSTEE OF THE SCHEME	
NAME	(Martyn Shaw)
POSITION	(Director, MacRoberts Trustees Limited) as director of Mansefield Estates Pension Trustees Limited, as Trustee
DATE	5 November 2021

9. Appendix

9.1 Rebalancing and Cash Flow Management

The Trustee understands that the asset allocation of investments will vary over time due to market movements. The Trustee seeks to keep the asset allocation in line with its benchmark but minimise the costs of rebalancing.

Where possible, cash outflows will be met from the income of the Scheme's assets to minimize transaction costs.

Where income is insufficient, following advice from the investment adviser, monies will be raised through the sale of assets so as to move the allocation closer to the central benchmark allocation subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required. Similarly, where cashflows in are received, the money will be invested in such a way as to bring the allocation into line with the central benchmark allocation.

9.2 Investment Managers

The Trustee has invested the Default Arrangement assets through a portfolio of funds held on the Transact platform.

Transact provide full investment administration for the Default Arrangement and carry out the day to day management of the underlying investment managers.

The investment managers are detailed in Section 9.3.

9.3 Charges

Investment manager	Fund	Recommended Weighting	Total Annual Charge
Lyxor	iBoxx GBP Liquid Corporate Long Dated ETF	44.00%	0.09%
Ruffer	Total Return	10.50%	1.52%
Royal London	Sustainable Diversified Trust	10.00%	0.77%
Vanguard	Global Equity	10.00%	0.48%
Capital Gearing	GC Trust	9.25%	0.58%
BMO	Universal MAP Cautious	9.25%	0.25%
Baillie Gifford	Positive Change	5.00%	0.53%

The balance 2% of the funds are held in Transact Cash to cover ongoing charges.

In addition to the fund charges, Transact charge a platform fee of 0.18% pa.