

Appendix B: Statement of Investment Principles – 2017

Severfield Plc Pension Scheme

Introduction

The Trustees of the Severfield plc Pension Scheme (the “Scheme”), have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Scheme (Investment) Regulations 2005.

This Statement is intended to confirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustees have consulted Severfield plc (the Principal “Employer”) under the Scheme and agreed the approach taken in this Statement.

The Scheme provides Defined Contribution (DC) benefits for members and their dependants in accordance with its Trust Deed and Rules (the Rules).

The Trustees do not themselves conduct any day-to-day management of any of the Scheme’s investments. Before investing in any manner the Trustees will obtain and consider written advice from their appointed Investment Adviser and/or their appointed fund managers as appropriate on the suitability of such investment and its appropriateness in accordance with this Statement.

Scheme Year - 18 months ending 31st March 2019

The Scheme year has been covered by the Statement dated 2017. As all the funds were transferred out in January 2019 to a new scheme, a separate addendum has been produced to comply with ESG.

Governance

The Trustees of the Scheme are responsible for the investment of the Scheme assets. The Trustees make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers within the range offered by the provider(s) appointed by the Trustees.

The Trustees have established the following decision-making structure:

- Set structures and processes for carrying out their role
- Select and monitor asset allocation
- Select investment managers
- Monitor investment managers
- Make day to day decisions relevant to operation of the Scheme’s investment strategy
- Consider new investment ideas and approaches.

The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and

- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees' investment consultants, Capita Employee Benefits, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Adviser

- Advises on all aspects of the investment of the Scheme's assets, including implementation
- Advises on this Statement
- Provides required training

Investment Managers

- Operate within the terms of this Statement and their written contracts
- Select individual investments with regard to their suitability and diversification
- Advise Trustees on suitability

Investment Objectives

The Trustees recognise that their ultimate objective is to help to ensure that the members of the Scheme are able to retire on a reasonable level of pension taking into account the contributions paid into their individual accounts and the timescale over which those contributions were invested.

The Trustees also recognise that individual members have different investment needs and that these may change during the course of their working lives. It also recognises that members have different attitudes to risk. Hence, the Trustees have in place a range of investment options that they believe could achieve reasonable returns consistent with the level of risk chosen by members.

The Trustees' key objectives for the Scheme's investment strategy are therefore to:

- Ensure the investment strategy is consistent with relevant legislation/regulations/Trust Deed and Rules, and best practice, and there is sufficient flexibility to react to legislative/regulatory changes;
- Ensure the investment strategy structure and design is based on the membership profile, where practical to do so;
- Offer members a reasonable range of investment options to satisfy their risk and return combinations, and to reflect the range of retirement options members now have following the introduction of Freedom and Choice In Pensions from April 2015. The Trustees have carried out a strategic investment review and in the second half of 2017 the Trustees will be investigating several options for the future of the Scheme, in order to best offer members flexibility.
- Be mindful of the costs borne by members as a result of investing in different asset classes and using different investment management styles;
- Use diversification between different types of assets to reduce investment risk where practical and cost effective to do so;

- Ensure the investment strategy is capable of being communicated relatively easily to members such that members can take informed decisions in the context of their personal financial circumstances; and
- Ensure the expected level of ongoing governance does not exceed the Trustees' agreed overall governance budget.

The Trustees will regularly monitor the investment strategy against these objectives.

Investment Strategy

The Trustees will offer a sufficient fund range to satisfy the risk and return combinations that are reasonable for most members.

The Trustees have in place a default investment option that it believes can allow members to strike an appropriate balance between long-term needs for capital growth and shorter-term volatility of returns, especially in the period approaching retirement. As well as the default investment option, the Scheme offers members the ability to invest in a range of self-select funds.

The default strategy designed by the Trustees has automated switching facilities allowing members to pre-select an investment strategy, which will move their accrued funds into lower risk investments as retirement approaches.

The overall structure of the default investment strategy is a 'lifestyle' strategy which initially invests members in a growth orientated fund and switches members into a lower risk fund in the lead up to retirement with the particular focus on matching the price of annuities at retirement. The retirement date is defaulted to age 65. Further details of the default lifestyle strategy are in the Appendix.

Investment Mandates

The Trustees have selected BlackRock as the investment manager (the 'Investment Manager') to manage the assets of the Scheme via the AEGON (previously BlackRock) investment platform. The Investment Manager and investment platform provider are regulated under the Financial Services and Markets Act 2000. Further details are set out in the Appendix.

Risk Management and Measurement

The Trustees are aware of, and pay close attention to, a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment options offered to members provide adequate choice and diversification both within and across different asset classes.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the investment manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return and potentially increases the governance requirements. For these reasons, and to reduce costs for members, investments are predominantly index-tracking funds. However, for some asset classes the Trustees believe this risk may be outweighed by the potential gains from successful active management. Therefore, the Scheme offers a mixture of index-tracking and active management which may be adjusted from time to time.

- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Corporate Governance

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the Investment Managers. Consequently, the Trustees expect the Investment Manager to adopt a voting policy that is in accordance with best industry practice.

Compliance with Myners Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance.

The Trustees believe that the Scheme complies with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Socially Responsible Investment (SRI)

The Trustees believe their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that SRI issues are secondary to this.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the social, environmental and ethical policies in which such pooled funds invest.

Where the pooled funds are managed on an index-tracking basis, decisions regarding the selection, retention and realisation of investments are only made in order to ensure efficient tracking of indices, and social, environmental and ethical considerations are not taken into account.

From time-to-time, the Trustees may note the extent to which social, environmental and ethical issues are taken into account by the underlying investment manager.

Non financial matters

Non-financial matters, including members' views have not been and will not in future need to be taken into account explicitly given there are no invested members as at 31 March 2019.

Additional Voluntary Contributions ('AVCs')

The Scheme provides a facility for members to pay AVCs into the Scheme. Contributions are invested in line with each member's main scheme investment choices.

Employer-Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005.

Fee Structures

The Investment Manager is paid a management fee on the basis of assets under management. No additional performance fees are payable.

The investment consultant is paid on a time-cost or fixed fee basis, as agreed between the Trustees and the investment consultant from time-to-time.

Reporting

The Trustees will require any fund manager appointed by them to report at regular intervals (at least half yearly) to the Trustees on that manager's stewardship of the share of the Scheme assets under the manager's control.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

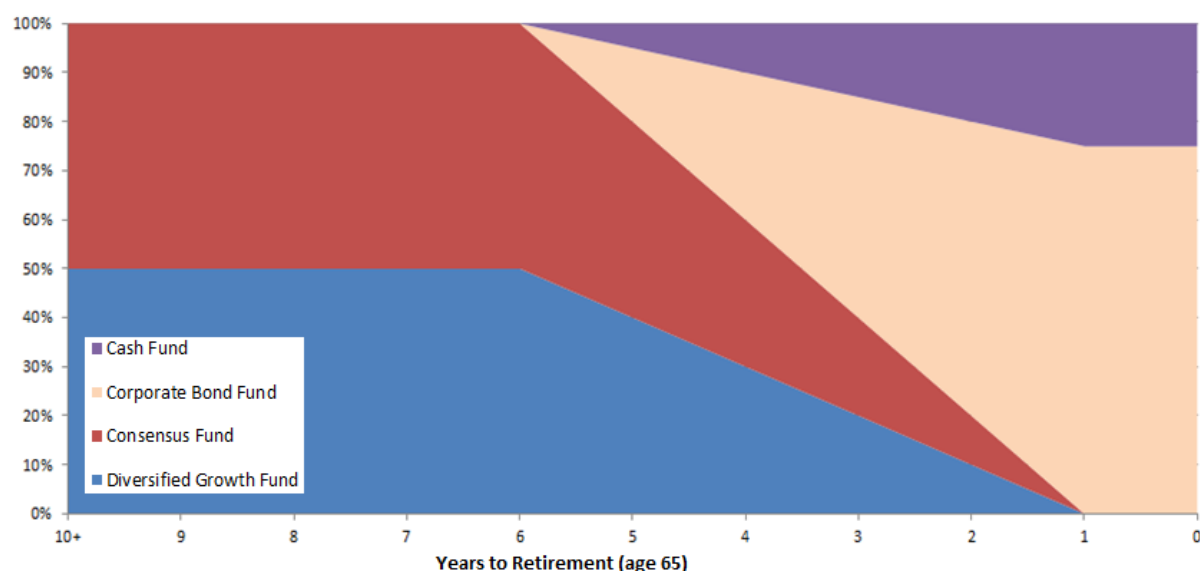
Default Lifestyle Strategy

The default lifestyle strategy invests in a diversified range of growth assets during the accumulation period, with the investments being gradually switched into lower risk assets over a six year period prior to each member's chosen Target Retirement Age ("TRA").

The primary objective during the accumulation period is to target a level of long-term expected returns that is considered by the Trustees to be acceptable in the context of the associated investment risk. The primary purpose of switching the assets in the period leading up to a member's TRA is to more closely match the characteristics of an annuity at retirement.

- For the growth phase i.e. up until six years before TRA, members will be invested in a mix of BlackRock's DC DDG (a multi asset diversified fund) and Consensus Fund. This is to reflect members far from retirement being generally able to take investment risk with the expectation of better returns than would be achieved from less volatile assets.
- In the six years before TRA, the asset allocation will gradually and automatically be switched to the more stable BlackRock Corporate Bond and Cash Funds. This is known as the consolidation phase.
- Members are switched into bonds and cash such that, at retirement, 25% of the members' assets are held in cash with the remaining 75% in bonds.

The chart below illustrates the change in the asset allocation for the lifestyle strategy over the period before a member's retirement:



Investment funds used within the lifestyle strategies

The lifestyle strategies use the same investment funds for each asset class, as shown in the list below. The Trustees formally monitors these investment funds from time-to-time and may change the investment funds used if they consider it appropriate to do so. Members may wish to carry out their own due diligence.

Phase	Fund	Type	Objective	Charges
Growth	BlackRock DC Diversified Growth Fund	Mixed	This fund targets an investment return of 3.5% above the Bank of England official Bank Rate measured over rolling 3 year periods by utilising a multi-asset flexible investment approach. In aiming to achieve the target, this fund will generally hold a variety of different types of assets at any one time.	0.65% pa
Growth	BlackRock Aquila Consensus Index Fund	Mixed	This fund invests primarily in shares of both UK and overseas companies and to a lesser extent in gilts, index-linked gilts, corporate bonds, overseas bonds and cash. The fund aims to produce a return in line with its benchmark.	0.15% pa
Consolidation	BlackRock DC Corporate Bond Fund	Bond	This fund aims to maximise total return by investing principally in corporate bonds and other interest bearing securities. Exposure to non-sterling denominated assets will typically be hedged back to sterling. Separately, the Fund may also invest in preference shares, convertibles, other transferable securities and collective investment schemes.	0.45% pa
Consolidation	BlackRock DC Cash Fund	Cash	This fund aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money-market instruments.	0.15% pa

Self-Select fund range and transition from the existing fund range

The Trustees have agreed that the Self-Select fund range will include the lifestyle strategy funds and the following investment funds that are available with BlackRock:

Fund	Type	Objective	Charges
DC Balanced Growth	Mixed	The fund invests mainly in equities and to a lesser extent government securities, cash and other fixed interest investments, in the UK and overseas. The Fund aims to produce a return in excess of its benchmark. The benchmark will evolve over time to reflect the market, industry and internal views and developments as to an appropriate asset mix for a broadly invested fund.	0.45% pa
DC UK Growth	Equity	The fund invests mainly in UK equities and aims to produce a return in excess of its benchmark, the FTSE All-Share Index.	0.45% pa
DC Institutional Emerging Markets	Equity	The fund invests primarily in the shares of companies incorporated or listed in emerging markets and aims to provide a return in excess of its benchmark. Emerging markets include countries contained in the Fund's benchmark index the MSCI Emerging Markets Index. Given the volatile nature of these markets, investment in this Fund involves a higher than usual degree of risk.	0.60% pa

Appendix B: Statement of Investment Principles – Sept 2019

Severfield Plc Pension Scheme

Introduction

The Trustees of the Severfield plc Pension Scheme (the “Scheme”), have drawn up this short addendum to the 2017 Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Scheme (Investment) Regulations 2005.

Scheme Year - 18 months ending 31st March 2019

The Scheme year has been covered by the Statement dated 2017.

This Addendum is required to meet the deadline for new legislation on ESG at the end of September 2019. However in January 2019 all funds were transferred to the Aegon Master Trust, as the new scheme going forward. Had the Trustees still had funds the following ESG clause would have replaced the SRI clause:

Environmental, social, and governance (ESG) criteria

- 1.1 The Trustees believe their primary duty is to act in the best financial interests of the beneficiaries.
- 1.2 The Trustees believe that environmental, social and governance factors are financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Schemes investments to ensure the sustainability of any investment selected.
- 1.3 The Trustees will be reliant on the information presented by the investment manager and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions. The Trustees expect to be provided with copies and kept informed of any changes in investment managers policies on ESG. Furthermore, an investment managers excellence in this area will not take precedence over other factors, including (but not limited to) historical performance or fees.
- 1.4 The Trustees expect that, when selecting investments for purchase, retention or sale, social, environmental and ethical considerations will be among the factors that a fund manager will take into account in the pursuit of long-term return.

Existing Statement of Investment Principles

The existing Statement is shown separately and as all funds were transferred out to the Aegon Master Trust in Spring 2019, remains unchanged.