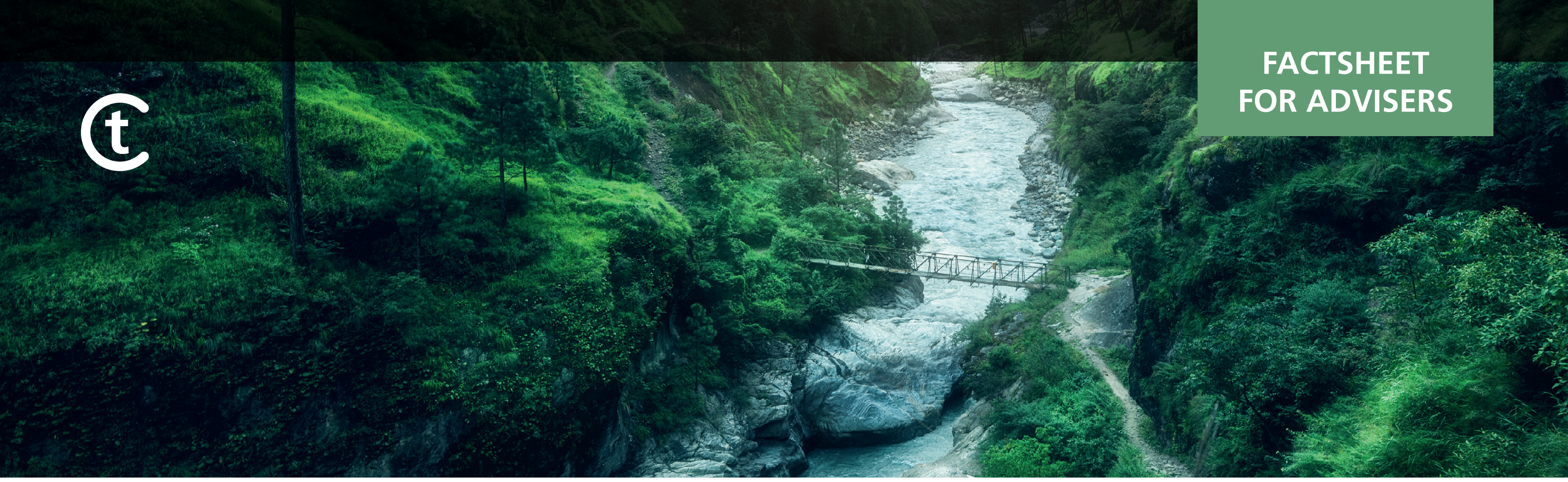

FACTSHEET FOR ADVISERS

DEFINED BENEFIT SCHEMES

INVESTMENT STRATEGY

The investment strategy for each scheme is agreed with the sponsoring employer, taking into account the strength of the covenant, funding level of the scheme and the sponsor's attitude to risk.

The four building blocks available for defined benefit schemes reflect the different stages of a scheme's funding position. From left to right, as funding improves, there is less need to pursue return, less desire to take risk and less reliance on contributions.

Managing the investments in this way enables Cheviot to tailor the approach to each scheme, by using the building blocks in different proportions, whilst still limiting governance to four key elements. It also makes it easier for scheme sponsors to understand the degree of risk being taken in the investment strategy.

LONG-TERM INVESTMENT FUND

Assumes contributions plus investment returns to improve funding

- Targets returns of 3.5% per year over swaps
- Invests in equities, investment grade bonds, high yield bonds, property
- Volatility expected to be 9% (equity 15%)
- ½ equity drawdown risk
- Actuarial assumption 2.5% over swaps

LOWER-RISK INVESTMENT FUND

Assumes investment returns to improve funding

- Targets returns 2.5% per year over swaps
- Invests in high quality credit, low quality credit, gilts, small allocation to equity
- Volatility expected to be 6%
- 1/3 equity drawdown risk
- Actuarial assumption 1.5% over swaps

CREDIT FUND

100% funded on a self-sufficiency basis (i.e. no contributions and very limited investment returns). May include running costs

- Targets returns of 1.25% over swaps
- Invests in investment grade bonds
- Actuarial assumption 1% over swaps

LIABILITY HEDGE

100% funded on a buy-out basis

- Swaps to match the liability
- Hedge level will be increased to 100% at this stage

Currently standard hedge level is 80% of actuarial basis

CORE FUNDS

Long-Term Investment Fund

The objective of the Long-Term Investment Fund is to outperform cash by 3.5% per year net of investment management fees over the medium term (which has been defined as a period of more than five years). To achieve this target, the Long-Term Investment Fund is invested in a diversified range of assets.

Lower-Risk Investment Fund

The objective of the Lower-Risk Investment Fund is to outperform cash by 2.5% per year net of investment management fees, with a higher degree of certainty of achieving this target over shorter time horizons. To achieve this target, the Lower-Risk Investment Fund is invested in a diversified range of assets, with a higher allocation to bond assets (and an overall lower risk profile) than the Long-Term Investment Fund.

Credit Fund

The Credit Fund is made available if a scheme holds more cash than is required to provide collateral for the swaps in the Matching Fund. The objective of the Credit Fund is to outperform cash by 1.25% per year net of investment management fees. It invests in corporate bonds. The Credit Fund is expected to provide additional returns over cash and is included in the Matching Fund allocation at an overall strategic scheme level.

Matching Fund

The objective of the Matching Fund is to provide assets moving in line with the cost of providing the benefits. This may include investing in swaps or gilts (if possible) to provide a hedge against movements in the cost of providing the benefits as a result of movements in interest rates or inflation expectations. The level of the liability hedge is reviewed regularly and may increase or decrease depending on prevailing economic expectations.

ESG & OTHER CONSIDERATIONS

Financially material factors

When selecting and monitoring an investment, the Trustee will take into account financially material factors. These may include the financial implications of environmental, social and governance (ESG) factors.

Basis of assessment

The Trustee uses information from its investment adviser to assess the commitment and performance of managers in relation to long-term financial factors deriving from ESG.

Long-term financial performance, including ESG factors and stewardships, are considered at the point of initial investment as part of the manager selection criteria and managers are expected to provide information about their approach regularly.

Non-financially material factors

The Trustee does not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or quality of life considerations) when making investment decisions.

Stewardship Code

The Trustee is supportive of the UN Principles for Responsible Investing and the UK Stewardship Code and considers whether managers are signatories and adhere to them.

Fees

Professional fees are charged in relation to the services received and may be based on assets under management, performance, hourly rates or fixed fees according to the agreement with each adviser. Fees are regularly reviewed by the Trustee.