Unum Pension Scheme (the “Scheme”)
Statement of Investment Principles (the “Statement”)

1. Scope of Statement

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

The effective date of this Statement is 20 December 2021. The Trustees will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

The Appendices to this Statement contain further detail of the investment strategy and may be updated from time to time without updating this Statement.

2. Consultations made and parties involved

The Trustees have consulted with the employer prior to writing this Statement and will take the employer’s comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained and considered written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited (“Aon”) who are authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to members of the Scheme on request.

The Trustees have decided to invest the Scheme’s assets in an OCIO Investment Management Agreement with BlackRock Investment Management (UK) Limited ("the Manager").The Trustees, following advice from Aon, set specific funding objectives for the Scheme. The Manager invests the Scheme’s assets in a range of BlackRock funds and specialist third party pooled funds. The Manager conducts the necessary day to day management of the Scheme’s assets required to meet the Scheme’s objectives.

3. Objectives

The Investment Objective for the Scheme is set in relation to the future liability cashflows that are required to be met from the Scheme in each future year. In each future year the cash flow is made up from a mixture of pensioners’ and (current) non-pensioners’ benefits.

The Scheme’s current Investment Objective is described in Appendix 1 to this Statement.

The Investment Objective is based on a measure of liabilities which takes into account risk-free returns, plus an explicit allowance for excess return derived from the growth assets. The risk-free measure used is based on yields on fixed income and index-linked securities, being the financial instruments which can appropriately match the profile of the expected benefit payments. The excess return is based on the proportion of growth assets that the Scheme holds and an anticipated return that the Trustees are comfortable with, in the context of the covenant of the sponsoring employer.

The Scheme’s investment objective is for the assets of the Scheme to generate sufficient return, while minimising the risks to the extent possible.

4. Choosing Investments

This statement sets out the Trustees’ policies for securing compliance with section 35 of the Pensions Act 1995.

The types of investments held and the balance between them is adjusted as necessary to match the Trustees’ objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interests of members and beneficiaries.

The Trustees delegate their powers of investment in a manner that is expected to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Assets held to cover the Scheme's liabilities are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme, but recognising also the return requirement in order to meet the Investment Objective.

Investment in derivatives is only made in so far as they (a) contribute to the reduction of investment risks; (b) facilitate efficient portfolio management, including the reduction of costs, reduction of risks and the generation of additional capital or income with an acceptable level of risk; (c) for hedging purposes and/or to alter currency exposure. Any such investments must be made and be managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

5. The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation.

The Scheme will have an allocation to a diversified growth assets and an allocation to specific liability matching funds . Within this structure:

- The Scheme's allocation is set so that the expected return, together with the planned contributions, is expected to be sufficient to meet the Investment Objective by the target date. The growth assets will be well diversified and will be managed actively between asset classes.

- The matching funds asset profile is selected to provide protection against movements in interest rates and inflation. The matching funds will be tailored to match the Scheme's liability cashflows as far as is practically possible and will use geared Liability Driven Investment (LDI) funds to extend the matching characteristics where appropriate.

The Trustees delegate responsibility for managing their asset allocation to the Manager. This allows the asset allocation of the Scheme to be adjusted quickly where needed, in response to changes in funding level, to best meet the investment objectives of the Scheme.

The Trustees review their investment strategy in conjunction with each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

Details of the Scheme's assets are described in the Appendices to this Statement.

6. Expected returns on assets

The Portfolio is expected to generate a future investment return of gilts plus 3.3% per annum net of fees (source the Manager December 2020), which represents the best estimate of the investment return over the long term.

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7. Monitoring

The Trustees monitor the performance of the assets on a quarterly basis via investment monitoring reports prepared by The Manager.

The Trustees have established an Investment Committee who meet quarterly or more frequently if required to consider the relevant reports from the Manager and Aon. The Investment Committee reports to the Trustees on a quarterly basis.

8. Investment risk measurement and management

Regular checks are made as to whether the funding and investment strategy remains on target to achieve the original objectives, and within acceptable parameters. If not, then corrective action is considered, either by adjusting investment policy or through amendments to the contribution plan.

Risks associated with changes in the employer covenant are assessed by various means. The Trustees have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. The Trustees also monitor the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy).

9. Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. Day to day control of custody arrangements for the Scheme's assets is delegated to Bank of New York Mellon, who are independent of the sponsoring employer.

10. Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

11. Environmental, Social and Governance considerations

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. Consideration is given to the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk when selecting managers and when monitoring their performance, which is delegated to the Manager.

As part of the ongoing decision making and monitoring of underlying investment managers that is delegated to the Manager by the Trustees, environmental, social and corporate governance ("ESG") ratings assigned by the Manager are used to help monitor the integration of ESG by the underlying investment managers.

The Manager and Aon are signatories of the UN Principles for Responsible Investment (the "Principles"). The Principles are a voluntary set of global best practices that aim to provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. The Principles are voluntary and aspirational. Where consistent with their fiduciary responsibilities, the Manager will aim to pursue each of the six Principles, these being:

- Incorporating ESG issues into investment analysis and decision-making processes;
- Being active owners and incorporating ESG issues into their ownership policies and practices;
- Seeking appropriate disclosure on ESG issues by the entities in which they invest;
- Promoting acceptance and implementation of the Principles within the investment industry;
- Working together to enhance their effectiveness in implementing the Principles;
- Reporting on their activities and progress toward implementing the Principles.

Stewardship – Engagement and the Exercise of the Rights Attaching to Investments

The Trustees recognise the importance of its role as a steward of capital and the need to assess all financially material risks in its investment decision making process. This includes risks associated with climate change, as well as other ESG-related factors. To this end, the Trustees strives to maintain a high standard of governance, promotion of corporate responsibility and respect of environmental factors throughout the Scheme's portfolio. The Trustees believes that doing so ultimately creates long-term financial value and reduces risk for the Scheme and its beneficiaries.

The Trustees carefully reviews the Manager's approach to stewardship, and other ESG-related matters, and communicates its expectations and standards to the Manager. These standards include:

- The Trustees expect the Manager to be a signatory to the PRI.
- The Trustees expect the Manager to be a signatory to the UK Stewardship Code.
- The Trustees expect the Manager to ensure that, where appropriate, underlying investment managers use their influence as major institutional investors to exercise the Scheme's rights and duties as a shareholder.
- The Trustees expect the Manager to provide adequate transparency around stewardship activities, including an annual report on the stewardship activities of the underlying managers.

The Trustees will engage with the Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the underlying investment manager. Furthermore, where voting is concerned, the Trustees expect underlying investment managers to recall stock lending, as necessary, in order to carry out voting actions.

The disclosures offered for engagements should include the objectives and relevance to the Scheme and its members, methods of engagement, progress and perspectives around shortcomings and outcomes to date, as well as escalation points and procedures as necessary.

The Trustees review the Manager's stewardship activity on an annual basis to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustees do so to ensure that the Manager acts in a manner that is consistent with the Trustees' policies and objectives. If the Manager is found to fall short of the standards set by the Trustees, it is expected to provide satisfactory explanations as to why it is not. While the Trustees may seek to engage with the Manager if it is deemed to be falling short of its standards to reach a more sustainable position, failure to comply may result in a decision to replace it.

In line with its commitment to transparency and disclosure, the Trustees report its responsible investment activities to the Scheme's stakeholders on an annual basis within the Trustees' report and accounts.

The Trustees may engage with the Manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Members' views and non-financial factors

In setting and implementing the Scheme's investment strategy the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, ESG impact, or present and future quality of life matters (defined as "non-financial factors").

12 Arrangements with the Manager

The Trustees have appointed BlackRock as its fiduciary manager, which it considers to be its investment manager. References in this policy to 'underlying investment managers' refers to those investment managers which the Manager in turn appoints, directly or indirectly, to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with its fiduciary manager, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive quarterly reports and verbal updates from the Manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the Manager over rolling 3- and 5-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by the Manager, which supports the Trustees in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Manager and requests that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying investment managers to the Manager. The Manager monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying 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

- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointing a new fiduciary manager or investment manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express its expectations to the investment manager by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the Manager, and regular monitoring of the Manager's performance and investment strategy, is sufficient to incentivise the Manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the Manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the Manager but could ultimately replace it where this is deemed necessary.

The Trustees have not set a duration for its arrangements with the Manager, although its continued appointment is reviewed periodically, and at least every 5 years. Similarly, there are no set durations for arrangements with the underlying asset managers that the Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

13. Costs and Performance

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from the Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the Manager;
- The fees paid to the investment managers appointed by the Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Manager;
    - The Trustees defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the Manager;
- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc.); and
- The impact of costs on the investment return achieved by the Schemes.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees delegate the management of the underlying manager cost transparency relationships to the Manager; however the Trustees expects full compliance with the provision of the cost transparency disclosure templates and that the Manager reports back any non-compliance.

The Trustees benefits from the economies of scale provided by the Manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers;

- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible;

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of the Manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the Manager and the fees incurred by third parties appointed by the Manager are provided annually by the Manager to the Trustees. This cost information is set out alongside the performance of the Manager to provide context. The Trustees monitors these costs and performance trends over time.

14 Additional Voluntary Contributions ("AVCs") arrangements

Some members obtained further benefits by paying Additional Voluntary Contributions (AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. AVC assets but are invested separately to the main Scheme's assets. These assets are managed by Phoenix Life, Equitable Life and Standard Life Aberdeen (all now closed to new contributions). From time to time, the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

This Statement was signed by Graham Hockings and Bill Mansfield on behalf of the Trustee Board in December 2021

Appendix 1 – Scheme Investment Objective

The Investment Objective of the Scheme is as follows:

The Scheme’s funding objective is to be fully funded within 10-15 years on a funding basis which will have a low allocation to return seeking assets (for example 15% of the Scheme’s assets to be invested in growth assets). It is envisaged that the discount rate will be set equal to the yield on the fixed interest UK gilt yield curve plus 0.5% pa. The funding basis will also use a mortality assumption that is appropriate and prudent.

The Manager, in association with Aon, manage the Scheme’s overall mandate in order to best meet the Scheme’s objectives.

Appendix 2

Investment Strategy

This appendix sets out the mandate set by the Trustee to the Manager in order to achieve the stated funding objective set specified in Appendix 1. The investment strategy for the Scheme is to:

- Manage the Total Portfolio in order to seek to achieve an initial target return of approximately 3.3% above gilts per annum (net of fees).
- Invest in a portfolio of assets which aims to immunise a proportion of the interest rate risk inherent within the Scheme's liabilities (the "**matching portfolio**").
- Invest in a diversified portfolio of assets to achieve an efficient risk / reward trade off with the objective of generating sufficient returns to close the Scheme's funding deficit (the "**growth portfolio**"), When the funding level has achieved a predetermined level, the Scheme will seek to achieve a target level of interest rate and inflation hedging. This is set out in the Journey Management table below. The intent of this structure is to ensure to Scheme hedges the risk associated with the funded liabilities (on a gilts _0.5% discount basis).

As at the date of the SIP, the Trustees have instructed the Manager to manage the asset allocation in such a way to aim to achieve the Investment Objective taking into account the restrictions set out in the Asset Allocation Table below:

Asset Allocation Table

Portfolio Strategy	Permitted Ranges	
	Minimum (%)[1]	Maximum (%)[1]
Growth Strategy	**0%**	**70%**
Liquid Assets	*0%*	*70%*
Illiquid Assets	*0%*	*21%*
Matching Strategy	**30%**	**100%**

[1] As a percentage of Total Portfolio assets by market value

Liquid Assets Strategy Permitted Ranges Table*

Asset Class	Minimum (%)*	Maximum (%)*
Equities	**10%**	**80%**
Developed Market Equities	10%	80%
Emerging Market Equities	0%	20%
Global Small Cap Equities	0%	15%
Fixed Income	**0%**	**80%**
Global Credit	0%	40%
High Yield Debt	0%	30%
Emerging Market Debt (Local Currency)	0%	30%
Emerging Market Debt (Hard Currency)	0%	30%
Cash	**0%**	**30%**
Other Asset Classes	**0%**	**10%**

* Permitted Ranges are expressed as a percentage of the Liquid Assets by market value

Journey Management Table

Asset Class	Initial	Trigger 1	Trigger 2	Trigger 3	Trigger 4	Trigger 5	Trigger 6	Trigger 7	Trigger 8	Trigg
Funding Ratio Threshold Level	**83%**	**85%**	**87%**	**89%**	**91%**	**93%**	**95%**	**97%**	**99%**	**100**
Target Interest Rate Hedge Ratio	83%	85%	87%	89%	91%	93%	95%	97%	99%	100
Target Inflation Hedge Ratio	83%	85%	87%	89%	91%	93%	95%	97%	99%	100

Aggregate Target Hedge Ratio Table

	Aggregate Target Hedge Ratio	Aggregate Rebalancing Tolerance Range	
		Minimum	Maximum
Interest Rate Hedge Ratio	As per Journey Management table	-2%	+2%
Inflation Hedge Ratio	As per Journey Management table	-2%	+2%

Last updated: August 2021

Appendix 4 – Other matters

Cash balances

In addition to the assets managed by the Manager, the Trustees will run a bank account which holds a working balance of cash, held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrators.