Tuffnells Parcels Express 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 30 September 2020. 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 Services Authority.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Services Authority. A copy of this Statement is available to the members of the Scheme.

The Trustees have decided to invest the Scheme's assets in the Aon Pension Solution ("APS"). Under APS, the Trustees, following advice from Aon, set specific funding objectives for the Scheme. Russell Investments (the "Manager") manage the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. The Manager conducts the necessary day to day management of the Scheme's assets required to meet the Scheme's objectives.

3. Objectives

Under APS, the funding objective is set in relation to the liabilities of the cash flows 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 Roadmap objective is based on a risk-free measure of liabilities. The risk-free measure used is based on yields on interest rate and inflation swaps. The Scheme's current funding objective is described in Appendix 1 to this Statement.

The Scheme's investment objective is for the assets of the Scheme to generate sufficient return to meet the funding objective, 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 funding 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; or (d) to create leverage within the Hedging Portfolio. 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.

Under APS the Scheme will have an allocation to a diversified growth fund ("the Growth Portfolio") and an allocation to specific liability matching funds ("the Matching Portfolio") based on leveraged fixed interest gilts and index linked gilts. Within this structure:

- The allocation to assets within the Growth Portfolio is set so that the expected return, together with the planned contributions is expected to be sufficient to meet the funding objective by the target date. The Growth Portfolio will be well diversified and will be managed actively between asset classes. Within the Growth Portfolio, fixed income securities may be held as a source of return and a diversifier.
- The Matching Portfolio's asset profile is selected to provide protection against movements in interest rates and inflation. The Matching Portfolio will be tailored to match the liability cash flows as far as is practically possible and will use leveraged fixed interest gilt and index linked gilt funds to extend the matching characteristics where appropriate.

A plan (the "Roadmap") is then put into place to reduce the assets in the Growth Portfolio systematically from the starting allocation to the target allocation implicit in the funding objective. The roadmap reduces the growth allocation as the funding level improves but maintains sufficient assets in the Growth Portfolio that the funding objective is still expected to be achieved. This aims to lock in favorable increases in assets (or falls in liability value) to the extent possible without jeopardising the Scheme's funding objective.

Under APS the Trustees, following advice from Aon, delegate responsibility for managing their day to day 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 Roadmap and current allocations to growth and matching assets are described in Appendix 1 to this Statement. Details of the Growth and Matching portfolios are described in Appendices 2 and 3 respectively.

6. Expected returns on assets

The Matching portfolio is expected to move in a way that matches the sensitivity of the liabilities to interest rates and inflation.

The Growth Portfolio will aim to deliver equity like returns in the medium to long term with around 2/3 of the volatility (defined in terms of standard deviation of returns) of equity markets. Its explicit target is cash+ 4.5% p.a.

7. Monitoring

The Trustees monitor the performance of the assets on a quarterly basis via investment monitoring reports prepared by Aon and the manager at Trustee meetings.

The manager will monitor the funding level on a daily basis and have been instructed by the Trustees to switch assets in accordance with the Roadmap as soon as is practicable after the monitoring indicates that the funding level has increased above a trigger point. If the funding level falls through a trigger point then no automatic re-risking takes place through transfer of funds from matching to growth assets.

In addition, APS is measured against a benchmark which is designed to change with the funding level and allow for the trigger mechanism including the hedging increases and change to target return.

Regular checks are made by the Trustees as to whether the funding and investment strategy, including the Roadmap, remains on target to achieve the original objectives, and within acceptable parameters. If not then corrective action is considered, 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).

8. 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 invested in APS are delegated to State Street, who are independent of the sponsoring employer.

Day to day control of custody arrangements for the Scheme's assets invested in APS are delegated to State Street Bank and Trust Company Ltd.

The custodians are independent of the sponsoring employer.

9. 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).

10. Responsible Investment 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. These include:

- 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 Fiduciary Manager.

Environmental, Social and Governance considerations: As part of the ongoing decision making and monitoring of underlying investment managers that is delegated to Russell Investments by the Trustees, ESG ratings assigned by Russell Investments are used to help monitor the integration of ESG by the underlying investment managers.

Initiatives and industry collaboration: Russell Investments and Aon are signatories of the UN Principles for Responsible Investment ("UN PRI" or the "Principles"). The Principles are a voluntary set of global best practices that aim to provide a framework for integrating environmental, social and corporate governance issues into financial analysis, investment decision-making and ownership practices. The UN Principles for Responsible Investment policies are voluntary and aspirational. Where consistent with their fiduciary responsibilities, Russell Investments will aim to pursue each of the six Principles, these being:

- Incorporating environmental, social and corporate governance issues into investment analysis and decision-making processes;
- Being active owners and incorporating environmental, social and corporate governance issues into their ownership policies and practices;
- Seeking appropriate disclosure on environmental, social and corporate governance 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.

11. Arrangements with the Manager

The Trustees have appointed Russell Investments Limited ("the Manager") 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 Trustee’s 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 Trustee’s 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 Trustee’s 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 3 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.

12. 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 define 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.)
- The impact of costs on the investment return achieved by the Scheme.

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 expect full compliance with the provision of the cost transparency disclosure templates and that the Manager reports back any non-compliance.

The Trustees benefit 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 monitor these costs and performance trends over time.

13. 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 strive to maintain a high standard of governance, promotion of corporate responsibility and respect of environmental factors throughout the Scheme's portfolio. The Trustees believe that doing so ultimately creates long-term financial value and reduces risk for the Scheme and its beneficiaries.

The Trustees carefully review 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 Trustee's 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 reports its responsible investment activities to the Scheme's stakeholders on an annual basis within the Trustee's 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.

14. 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, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

15. Additional Voluntary Contributions ("AVC's") arrangements

Some members obtain 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 are not invested in APS but are invested separately to the main Scheme assets. From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Name (Print)	Signature	Date
Kevin Kenneally	Kevin Kenneally	30th September 2020
Norman Emery	Norman Emery	30th September 2020

Appendix 1 – Scheme Objective and Roadmap

Funding objective

The funding objective of the Scheme is as follows:

- To be fully funded on the target swaps +0% basis by the end of the Roadmap period on 31 December 2036.

Current asset allocation

The allocation of Scheme assets between the Growth Portfolio and Matching Portfolio depends on the funding position of the Scheme. At the date of this statement the allocation is 70% to growth assets and 30% to matching assets.

Roadmap

A Roadmap has been set for the Scheme on the basis that 10% of assets are switched at each trigger point whilst still being expected to reach the funding objective by the target date. The trigger points in this roadmap will change over time as the recovery period passes and as the Scheme's assets and liabilities develop.

Last updated: September 2020

Appendix 2 – APS Growth Portfolio

Russell Investments adopt a multi manager approach to investing, whereby they utilise a number of "best of breed" investment manager products to create a composite fund.

The objective of the Growth Portfolio is to generate capital appreciation over the course of a complete economic and market cycle through a diversified portfolio of investments.

The Growth Portfolio will aim to deliver equity like returns in the medium to long term with around 2/3 of the volatility (defined in terms of standard deviation of returns) of equity markets.

The explicit objective is to deliver cash+4.5% p.a.

Given the expected asset allocation, it is likely that the Growth Portfolio will lag equity returns during periods of particularly strong equity markets, while it is expected to outperform equity returns during periods of declining equity markets.

The Growth Portfolio may invest in collective investment vehicles and other securities including, but not limited to, equity and fixed income securities.

The Growth Portfolio may employ investment techniques and financial derivative instruments for investment purposes or for efficient portfolio management purposes, such as to reduce risk, reduce cost or to generate additional capital or income for a Fund and for hedging purposes and/or to alter currency exposure.

Last updated: September 2020

Appendix 3 – Matching Portfolio

The Matching Portfolio is held in the Aon Pension Solution which changes from time to time based on:

- The advice of the Investment Consultant and Scheme Actuary on the portfolio required to match the liabilities.
- The target hedge ratio, which is subject to the expected return requirement. This will constrain the available capital that can be used to hedge the liabilities with an appropriate level of leverage.
- The target hedge ratio is also based on the views of the Trustees on the advice from the Investment Consultant.
- The managers' use of discretion.
- Changing market conditions.
- The expected cashflows of the Fund.

The current target hedge ratio is 100% of the Scheme's funded liabilities (assets).

The Matching Portfolio will comprise primarily fixed income securities, inflation–linked securities, money market securities and collective investment vehicles that invest in the foregoing instruments.

Swaps and other derivatives may be used to create leverage within the Hedging Portfolio and the Matching Portfolio may also be invested in collective investment schemes that use derivatives to create leverage. The overall degree of underlying leverage in the Matching Portfolio will vary with market movements.

Last updated: September 2020

Appendix 4 – Other matters

APS cash balances

In addition to the Growth and Matching Assets, the Manager may hold Residual Cash from time to time that is not invested in either Growth or Matching Assets.

The primary purpose of a Residual Cash allocation will be to meet anticipated disbursements and expenses and to facilitate any short-term cash flows.

Residual Cash will not exceed 5% of the Portfolio in normal circumstances.

Residual Cash will be held on deposit or invested in short term money market funds.

Other 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 administrator.

Fee arrangements

A fee is deducted from the assets managed under APS, to cover a range of services including asset management, fiduciary management, investment consultancy advice and actuarial advice that the Scheme requires in connection with funding. The current fee structure is as below:

Fiduciary Management and Advisory (Aon)

- 1.240% p.a. of the Quarterly Portfolio Value, which is calculated as follows:
- 0.145% p.a. in relation to the Manager's fiduciary management services
- 0.150% p.a. in relation to the Consultant's services supporting the fiduciary management services delivered by the Manager
- 0.945% p.a. in relation to the Consultant's advisory services which are in addition to the Consultant's support of fiduciary management services

Asset Management (Russell)

- 0.600% p.a. of the Growth Assets
- 0.295% p.a. of the Hedging Assets

Last updated: September 2020