THE ASSAY OFFICE RETIREMENT BENEFITS SCHEME Statement of Investment Principles September 2020

Introduction

This is the Statement of Investment Principles prepared by the Trustees of the Assay Office Retirement Benefits Scheme (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of the Pensions Act 1995 and The Occupational Pension Schemes (Investment) Regulations 2005.

In preparing this statement the Trustees have consulted the Principal Employer of The Assay Office and obtained advice from XPS Investment, the Trustees' investment consultants.

The Trustees will review this statement annually or if there is a significant change in the policy on any of the areas covered by the statement.

Decisions

The Trustees' policy is to monitor and review the overall asset allocation strategy over which it retains control. In doing so, the Trustees consider the advice of their professional advisers.

The overall asset allocation strategy will be reviewed at least every three years and when the Scheme Actuary carries out the triennial actuarial valuation. The next valuation is due 31st March 2021.

The day-to-day management of the Scheme's assets is delegated on a split mandate to Ruffer LLP and a range of collective fund managers who are authorised and regulated by the Financial Conduct Authority. The fund managers are responsible for stock selection and the exercise of voting rights.

Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through the asset allocation parameters set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are predominantely invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria.

The Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives.

Investment Objectives

The Trustees' main investment objectives are:

- to ensure that the members' entitlements under the Definitive Trust Deed and Rules can be met
- to manage the volatility risk of the Scheme's funding position on an ongoing basis.
- to ensure that the investment strategy aims to maximise the investment returns subject to meeting the above objectives.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As detailed below, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

Environmental, Social, and Corporate Governance (ESG)

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustees require the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest.. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are misaligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

Assets

Approximately 60% of the Scheme's assets are managed on an active basis by Ruffer LLP, with the balance initially split equally between 3 collective investment vehicles managed by Vanguard, Dimensional Fund Advisors and Seven Investment Management. Cash balances are managed and monitored by the Trustees.

The investment objective of the funds invested with Ruffer LLP is:

- not to lose money in any twelve month rolling period and
- to achieve a consistent return significantly greater than the Bank of England Bank Rate (after fees).

The investment objectives of the other fund managers are as follows:

Vanguard Life Strategy 40% Equity

 to gain exposure to a notional portfolio composed approximately 40% by value of equity and 60% by value fixed income securities predominantly through investment in passive indextracking collective investment vehicles.

Dimensional World Allocation 60/40 Fund

• to achieve long term total return from a portfolio which is managed on a discretionary basis on a fund of funds basis. This means that the fund invests mainly in other investment funds, but may also invest directly in shares and debt. The equity to debt ratio is targeted to be approximately 60:40.

7IM AAP Balanced Fund

 this Fund aims, by applying active asset allocation techniques to predominantly passive strategies, to provide a balance of income and capital appreciation. There may be some risk to capital.

Fees

The fees payable to Ruffer LLP are 1.0% per annum. Ruffer also charges dealing costs on transactions

The investment funds sit on an investment platform for which there is a fee of 0.183% based on an investment balance of £6m. Over and above this the individual funds bear an ongoing charges figure of:

- Vanguard 0.22%
- Dimensional 0.47%
- 7IM 0.67%

The advisory fee to Succession Employee Benefits Solutions (SBS) equates to 0.25% of the platform assets per annum. The total charge for the platform-based funds therefore amounts to 0.887% per annum (based on equal weightings of each fund of £2m).

SEBS is also remunerated on a fixed cost fee basis of £4000 pa for additional administration services.

Kinds of investments to be held

The funds managed by Ruffer LLP et al are invested in a broad range of asset classes. Ruffer LLP. Depending on the market conditions the portfolio is likely to contain a balance of fixed interest stocks and equities, with also an allocation to other risk investments, introduced in order to improve the overall return, but never to the extent of risking serious capital loss.

As at 30 June 2020 the Ruffer asset allocation was as follows:

Bonds Total	39.8%	
UK government fixed interest		7.4%
UK government index linked		10.0%
Non sterling index linked		22.4%
Equities Total	28.9%	
UK Equity		11.1%
North American Equity		6.8%
European Equity		3.6%
Japan Equities		6.4%
Other Global Equity		0.9%
Other	31.2%	
Cash		3.2%
Illiquid and credit strategies		12.2%
Gold and precious metals		12.9%
Protection Strategies		2.9%
Total		100.0%

As of 30 June 2020 the asset allocation of the investment funds were:

	Vanguard	7IM	Dimensional *
Bonds UK and Overseas	59.6%	14.7%	35.5%
Equities total	40.4%	79.3%	59.8%
UK Equities	9.9%	25.0%	
North American Equities	5.2%	23.5%	32.7%
European Equities	1.3%	12.6%	
Japanese Equities	0.7%	8.9%	
Other global Equities	23.3%	9.3%	27.0%
Credit and illiquid strategies			
Gold and commodities			
Other (eg private equity, alt strategies, risk mitigation)		5.0%	0.1%
Cash		1.0%	4.7%

^{*}Allocation for Dimensional is at 31st March 2020.

Employer-related investments

The Trustees do not have any direct Participating Employer related investments. No part of the fund may be invested in any Participating Employer related loan.

The balance between different kinds of investments

The Trustees have obtained exposure to a range of different asset classes in their investment strategy to ensure an appropriate level of diversification is achieved.

Risks

The Trustees have considered the following risks for the Scheme with regard to its investment policy:

- Risk versus the liabilities. The Trustees have considered the investment strategy having had regard to the Scheme's liability profile. The Trustees monitor and review the investment strategy with respect to the liabilities at each actuarial valuation.
- Asset Allocation Risk. The asset allocation is monitored on a regular basis and is formally reviewed at each actuarial valuation.
- **Investment Manager Risk**. The Trustees monitor the investment manager's performance on a regular basis in addition to having regular meetings with the managers. Managers have been selected based on a diversity of management style.
- Risk from a lack of diversification. The fund managers are required to manage broadly diversified portfolios and to spread assets across a number of individual shares, securities and alternative assets.
- Liquidity. The Scheme's assets are in liquid investments that can be converted into cash at short notice.
- **Derivatives.** With the exception of forward foreign exchange contracts, no direct derivative exposure is permitted within the Ruffer portfolios. The investment managers are permitted however to invest in pooled funds containing derivative contracts. No gearing is allowed.
- Currency fluctuations. The investments are likely to be predominantly sterling based. However, it is recognised by the Trustees that currency movements have a key part to play in the investment manager's long-term investment strategy.

Realisation of investments

The Trustee has delegated the responsibility for buying and selling investments to Ruffer LLP and to the individual fund managers within the constraints of the individual funds they manage.

Disinvestment of the entire fund from Ruffer LLP et al may only take place with the written agreement of all the Trustees.

Partial disinvestments of less than £3/4 million in total in any 12 months require the signatures of any two Trustees, more than this will require a Trustees meeting and approval at the meeting.

Reporting and Performance Monitoring

The Trustees regularly review the performance of the fund managers. To assist the Trustees in their monitoring, Ruffer LLP and XPS provide the following:

- quarterly performance summaries
- presentations to the Trustees (at least once a year)

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

The Trustees receive regular performance monitoring reports from the Investment Consultant which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustees' selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees' meetings as requested.

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities

The Investment Consultant has also carried out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

SIP adopted by the Trustees at the meeting on the 22nd September 2020.