THE ULSTER SUPPORTED EMPLOYMENT RETIREMENT AND DEATH BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

1. Background

The Trustees of the Ulster Supported Employment Retirement and Death Benefits Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions (Northern Ireland) Order 1995 and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with Ulster Supported Employment Limited (the "Sponsoring Company") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in section 3 below. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers and described in section 4.

2. Process For Choosing Investments

The Trustees have appointed Mercer to act as their investment manager. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, the UK and the USA. Those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day to day basis.

In considering appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions (Northern Ireland) Order 1995 (as amended).

3. Investment objectives and risk

3.1 Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have adopted the following objectives to:

- achieve full funding on a technical provisions basis in the most risk efficient manner possible;
- pay due regard to the Sponsoring Company's interests in the size and incidence of contribution payments; and
- minimise the short term impact of downside risk as far as possible.

These objectives address the twin concerns of meeting the obligations of the Scheme while paying due regard to the pension cost.

3.2 Risk Measurement and Management

The Trustees' policy on investment risk management over the Scheme's anticipated lifetime is set out below. The Trustees recognise that it is necessary to take some degree of investment risk to meet the objectives outlined in section 3.1. There are various risks, to which any pension scheme is exposed, which the Trustee believes may be financially material to the Scheme. A description of these risks and how they are measured and managed are set out in the table below.

Investment Risk	How it is managed	How it is measured
Solvency risk and mismatching risk The general risk (which is the consequence of the combination of other risks listed below) that the change in the value of the assets over time does not keep pace with changes in the value of the liabilities, leading to deterioration in the funding position and an increased contribution requirement.	Through the long-term investment strategy of the Scheme and through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.	Through a qualitative and quantitative assessment of the potential future development of the liabilities relative to the current and alternative investment policies.
Active Manager risk This is the risk that the Scheme's investment managers underperform their performance targets.	By monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process.	By the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.
Liquidity risk This is the risk that the Scheme is unable to raise cash when it needs to without incurring excessive costs.	By the Scheme's administrators assessing the level of cash held in order to limit the impact of the cashflow requirements on the investment policy. The risk of not being able to raise additional collateral at	By the level of cashflow required by the Scheme over a specified period relative to the level of cash income from contributions and investments.

	times of market stress is reduced by investing across a range of asset classes and managers. A significant proportion of the Scheme assets deal on a daily basis and can be liquidated at short notice should cash be required.	
Custodian risk This is the risk that a custodian defaults or fails in its safekeeping of the Scheme's assets (or those of a fund in which the Scheme invests) leading to a financial loss to the Scheme.	Responsibility for the safe custody of the Scheme's assets is delegated to Mercer who has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their pooled vehicles. Mercer is responsible for keeping the suitability of State Street under ongoing review.	By assessing the credit-worthiness of the custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.
Concentration risk This is the risk of over-exposure to the performance of a single asset which suffers losses relative to the Scheme's liabilities.	Through diversification within and across portfolios. The Scheme invests in a diversified growth fund in order to reduce the overall level of investment risk in the Scheme.	By the level of concentration within and across markets.
Currency risk This is the risk that the Scheme suffers a financial loss through exposure to currencies other than sterling.	By diversification of the Scheme's overseas assets across a range of currencies and a partial currency hedge (60%) of the Scheme's overseas equity market exposure.	By the potential for future adverse currency movements and the impact on the value of the Scheme assets.
Interest rate and inflation risk This is the risk that the Scheme suffers a financial loss through exposure to interest rate and inflation risks on its liabilities or through exposure to interest rate and inflation risks on its assets which differ from those on the liabilities.	By the bond assets held by the Scheme.	By the potential for future adverse interest rate and inflation movements and the impact on the value of the Scheme's assets and liabilities.
Credit risk This is the risk that the Scheme suffers a financial loss through exposure to defaults by issuers of	Using active management to identify credit risk and avoid defaults.	The potential for future adverse movements in the value of the Scheme assets resulting from defaults or deterioration in

corporate bonds and other debt assets which the Scheme holds or through reductions in the market values of those assets.		credit market conditions.
Equity risk This is the risk that the Scheme suffers a financial loss through exposure to equity market assets.	Through diversifying the Scheme's investments across a number of alternative assets to reduce the reliance on equity markets. Regional diversification is used to reduce exposure to equity market falls in any particular region.	Through the potential for future adverse equity market movements and the impact on the value of the Scheme assets.
Sponsor risk This is the risk that the Sponsoring Company is unable to meet the current and potential future contribution requirements of the Scheme	Assessing the interaction between the Scheme and the Sponsoring Company's business, as measured by a number of factors, including the creditworthiness of the Sponsoring Company and the size of the pension liability relative to a number of metrics reflecting the financial strength of the Sponsoring Company.	Level of ability and willingness of the Sponsoring Company to support the continuation of the Scheme and to make good any current or future deficit.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Scheme e.g. extreme weather events, poor governance.	Delegated to investment managers. The Trustee's policy on ESG risks is set out in section 5 of this Statement.	Section 5 of this Statement also covers how the Trustee monitors the extent to which managers integrate ESG factors and active ownership into their core processes.

The Trustees have taken advice on the investment risks and (in light of their investment objectives noted in 3.1 above) considered carefully the implications of adopting different levels of risk.

The Trustees, with advice from the Scheme's investment consultant and Scheme Actuary, review their funding and investment objectives at least on a triennial basis as part of a formal analysis of the Scheme's assets and liabilities. This formal analysis enables:

- the Trustees to assess if the level of risk within the Scheme's asset portfolio remains appropriate, relative to the Scheme's liabilities and the Trustee's investment objectives; and
- allows the Trustees to implement an appropriate strategy, which balances the need to meet the investment objectives and control the risks the Scheme is exposed to.

To help the Trustees ensure the continuing suitability of their investments the Trustees delegate responsibility for the appointment, removal and ongoing monitoring of the Scheme's investment managers to Mercer.

Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustees will ensure that the assets of the Scheme are predominantly invested on regulated markets.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered.

3.3 **Investment Strategy**

The Trustees, with advice from the Scheme's investment consultant and Scheme Actuary, undertook a review of the Scheme's investment strategy over the first quarter of 2017. With the support of the Sponsoring Company, the Trustees agreed that the new strategy would be implemented as part of the transition to the Mercer investment arrangements.

The review considered the Trustees' investment objectives, their ability and willingness to take investment risk ("risk budget") and how this risk budget should be allocated and implemented. In particular, the Trustees expect that, over the long term, equities will produce superior returns to bonds but recognise that, in the short term, equity markets can be volatile and that bonds provide a more predictable income stream.

Following the review, the Trustees *agreed* to keep the *allocation* to *growth assets at* 50% *in order* to have a better chance of meeting their objective within a suitable timeframe. However, to reduce volatility, whilst aiming to achieve a broadly equivalent level of return, the Trustees agreed to diversify their growth assets by allocating to equity markets on a global basis and by also introducing an allocation to a Diversified Growth Fund (which also invests in a variety of equities on a global basis, but would typically incorporate exposure to additional asset classes, such as emerging market debt, investment grade corporate bonds, high yield bonds, absolute return fixed income, property and cash). The Trustees agreed that the matching portfolio would be maintained at 50%, but that it would be restructured to include a passively managed allocation to index-linked gilts, to increase inflation protection within the portfolio.

In March 2020, given the volatility in markets caused by the Covid-19 epidemic, the Trustees agreed to temporarily increase these tolerance ranges by 50%. Given current continued market volatility the increased tolerance ranges have not been removed.

In the third quarter of 2022 the Trustees and Ulster Supported Employment Limited ("USEL") considered what would be an appropriate long-term funding and investment strategy to balance the reliance on investment returns versus cash funding of the deficit. It was agreed that a 70% growth allocation should achieve this balance with an acceptable level of risk, and was reflected in the 5 April 2021 triennial valuation assumptions.

The most recent investment strategy set the following objectives:

- The allocation and fund selection to Growth assets should ensure a sufficient target return is generated to support the Scheme's longer-term funding approach, i.e. 70% growth;

- The asset allocation within the Growth Portfolio should ensure the portfolio is best placed to deliver a strong risk-adjusted return and reflects the Trustees evolving ESG beliefs;

46

- A preference for passive management to control costs and accessing appropriate risk premia where value is expected, e.g. within the diversified portfolios.

- The allocation and fund selection to Matching assets should ensure a similar hedge ratio is obtained in line with the current investment strategy without the use of leverage.

In the first quarter of 2023 the Trustees, after consultation with USEL, agreed to de-risk the Scheme following the improvement in the funding position as a result of the sharp rise in gilt yields. This de-risking would be achieved by moving to a 60% growth allocation, via a 10% reduction in the Diversified Growth Fund, and investing the proceeds in the matching gilts allocation to increase the liability hedging.

In the second quarter of 2023 the Trustees, after consultation with USEL, agreed to de-risk the Scheme further following continued improvement in the funding position as a result of the continued rise in gilt yields. This de-risking would be achieved by moving to a 50% growth allocation, via a 10% reduction in the growth assets (2.5% from Passive Global Equity, 2.5% from Emerging Market Equity and 5% from the Diversified Growth Fund), and investing the proceeds in a rebalanced matching portfolio to be more aligned to current liabilities and also increase the level of liability hedging.

The table below sets out current strategic asset allocation including the tolerance ranges for the Scheme's growth and defensive assets.

	Target Allocation %	Range %	Benchmark Index	Performance objective
Growth Assets	**50.0**			
Passive Global Equity CCF*	3.0	±1.0	MSCI World (NDR) Index	Perform in line with the benchmark
Passive Global Equity CCF (Hedged)*	4.5	±2.0	MSCI World (NDR) Hedged	Perform in line with the benchmark
Passive Sustainable Global Equity UCITS CCF*	4.0	±2.0	Solactive Sustainable Global Developed Equity EU Paris-Aligned (NTR) Index	Perform in line with the benchmark
Passive Sustainable Global Equity UCITS CCF (Hedged)*	6.0	±3.0	Solactive Sustainable Global Developed Equity EU Paris-Aligned (NTR) Hedged Index	Perform in line with the benchmark
Emerging Market Equity Fund*	2.5	±1.0	MSCI Emerging Markets Index	Perform in line with the benchmark
Diversified Growth Fund (Hedged)	5.0	±3.0	FTSE GBP 1 Month Euro Deposit Index	Outperform by 3% p.a. over the long term
Passive Climate Transition Infrastructure Equity UCITS CCF (Hedged)*	5.0	±3.0	FTSE Global Core Infrastructure 50/50 (NDR) Hedged Index	Perform in line with the benchmark
Multi-Asset Credit (Hedged)	20.0	±4.0	FTSE GBP 1 Month Euro Deposit Index	Outperform by 3% p.a. over the long term
Matching Assets	**50.0**			
Tailored Credit Fund 1	10.0	±4.0	No benchmark assigned	No benchmark assigned
Sterling Nominal LDI Bond Fund	23.0	±4.0	BlackRock Custom Benchmark	BlackRock Custom Benchmark

Sterling Inflation Linked LDI Bond Fund	17.0	±4.0	BlackRock Custom Benchmark	BlackRock Custom Benchmark
TOTAL	**100.0**			

**Passively managed funds*

4. Day to day management of assets

4.1 Cashflow and Cashflow Management

Contributions will be invested, in the normal course of events, with Mercer.

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Scheme's assets in line with the Scheme's strategic allocation. Mercer is responsible for raising cash flows to meet the Scheme's requirements.

Disinvestments required to meet expenses and benefit payments (in excess of the contributions received) will be sourced from the assets held with Mercer.

4.2 Custody of Investments

The Scheme invests in pooled funds the assets of which are held by a professional Custodian, as appointed by Mercer. Responsibility for the safe custody of the Scheme's assets is delegated to Mercer who has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their pooled vehicles. Mercer is responsible for keeping the suitability of State Street under ongoing review.

4.3 Rebalancing

Rebalancing ranges have been set for each of the funds to ensure the Scheme's assets remain invested in a manner which is consistent with the Guidelines agreed by the Trustees. The rebalancing ranges are detailed in the table in section 3.3 above.

5. Responsible investment and corporate governance

5.1 ESG, Stewardship and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted above, the Trustees have appointed Mercer to act as investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship are integrated within Mercer's and MGIE's investment processes and those of the underlying asset managers in the monitoring process. Mercer and MGIE is expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

5.2 Member views

Member views are not currently taken into account when determining the investment strategy, underlying manager structure or selection, retention or realisation of investments. The Trustees will review this position periodically.

5.3 Investment Restrictions

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

6. Buying and selling investments

The Trustees on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 3. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 5 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management and covers the investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment performance report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

8. 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 believes 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. Any such review will be in consultation with the Sponsoring Company.

Signed for and on behalf of the Trustees of the Ulster Supported Employment Retirement and Death Benefits Scheme.

Date: 4.11.24

Date: 4/11/24

Signed for and on behalf of Ulster Supported Employment Limited.

Date: 23/01/25

Version	Date of Amendment	Description of Amendment
Original Version	September 2004	Original version.
First Amendment	July 2017	To take account of move to Mercer.
Second Amendment	September 2019	To take account of DWP Requirements on ESG, climate change and stewardship.
Third Amendment	September 2020	To take account of DWP Requirements to cover arrangements with asset managers.
Fourth Amendment	December 2022	To take account of changes in the investment strategy.
Fifth Amendment	June 2023	To take account of de-risking in the investment strategy to increase the liability hedging in January 2023.
Sixth Amendment	August 2023	To take account of de-risking in the investment strategy to rebalance and increase the liability hedging in July 2023.
Seventh Amendment	October 2024	To take account of changes to the diversified growth fund.