STM FIDECS PENSION TRUSTEES LIMITED

Statement of Investment Principles

for

Gibraltar Occupational Pension Schemes

(Individual Trust)

March 2019

Company Registration Number: 85583
FSC Licence Number: FSC0845B

INTRODUCTION

STM Fidecs Pension Trustees Limited ("the Trustee") is regulated by the Gibraltar Financial Services Commission to act as a professional trustee in respect of various occupational pension schemes ("the Schemes") which provide retirement and death benefits for employees and their beneficiaries ("the Members") of Gibraltar based employers ("the Employers").

The Financial Services (Occupational Pensions Institutions) Act 2006 defines the standards of governance and investment rules which apply to Schemes with more than 100 members in totality, ("IORPs") and requires the Trustee to produce this Statement of Investment Principles and to review it periodically or whenever there is a significant change in investment policy.

The Statement of Investment Principles must contain details of the Trustee's

- risk measurement methods
- risk management process
- strategic asset allocation
- policy on environmental, social and governance factors (ESG)

As best practice, the Trustee applies this Statement of Investment Principles to all Schemes regardless of the size of the membership, for which it provides trustee services.

The Trustee has a duty to invest prudently (i.e. in a way that is intended to ensure the security, quality, reasonable liquidity and profitability of the portfolio as a whole) and in exercising its power of investment has considered the diversification and acceptability of investments for the best long term interests of the Members. In exercising its discretionary investment power under the Schemes rules, the Trustee permits Members to invest in a broad range of asset classes including real property, through different mechanisms, such as investment platforms or pooled risk rated investment funds/portfolios made available from a selected panel of investment managers which the Trustee reviews from time to time.

The Employer selects the investment options which are to be made available to its Members. For example, Employers can select the most appropriate investment manager for its Members from this selected panel of providers, but is not limited to the panel. The Trustee will consider using an alternative investment manager or investment options subject to obtaining appropriate due diligence and acceptability as retail investment options.

Depending on the investment profile of the Scheme, Members can typically select one or more investment option and are encouraged to seek professional advice when deciding which investment option is most appropriate for them taking into consideration their risk attitude and financial planning objectives.

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INVESTMENT OBJECTIVES & REQUIREMENTS

As Trustee of the Schemes, STM Fidecs Pension Trustees Limited aims to:

- Invest contributions and transfers paid into the Schemes having taken account of Members' investment selections and the risk profiles of various asset classes
- Seek to diversify investments among asset classes and issuers
- Follow best practices in accordance with trustee duties and relevant legislation or guidance notes
- Ensure the Scheme's assets are under its control and remain in safe custody at all times
- Ensure any conflicts of interest regarding the safe custody of assets are avoided
- Maintain appropriate records to enable identification of all assets at all times and so that such information can be reported to the regulator

The Trustee will implement appropriate processes to ensure that:

- Investments do not conflict with either national law or Scheme rules
- Transactions are remitted to the Scheme in a timely manner and
- Investment income is applied in accordance with the Scheme rules

The Trustee:

- Shall facilitate the investment of the assets of the Schemes seeking to achieve the long term best interest of Members
- Requires that the assets of the Schemes are diversified in such a way as to avoid accumulation of risk in the members' portfolio in accordance with their risk profile
- Shall not engage in transactions with any of its members or connected persons
- Shall not use scheme funds to grant loans to any of its members or connected persons
- Shall provide a copy of these Investment Principles to Employers or Members on request

Assets shall be regulated collective investment schemes that are:

- Invested in a manner which seeks to ensure the security, liquidity and profitability of the portfolio as a whole
- Predominantly invested in but not limited to regulated markets; investments in unregulated markets will kept to prudent levels
- Allowed to invest in derivatives where this contributes to a reduction in investment risk or to facilitate efficient portfolio management but only where it does not create excessive risk to a single counterparty or other derivative operation
- Properly diversified to avoid excessive reliance on a particular asset, issuer or group of undertakings and accumulation of risk in the portfolio as a whole
- Invested with the same issuer or group of issuers where this does not expose Schemes to excessive risk concentration

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INVESTMENT POLICY

The Trustee shall ensure that all investment decisions are made in accordance with the Rules of the Schemes and satisfy local regulatory requirements.

The Trustee may delegate investment decisions to a third party where it considers, amongst other things, that the third party has the ability, capacity, fitness and propriety to perform this activity reliably, professionally and effectively. Where investment decisions are delegated, the Trustee will ensure that the terms of any delegation comply with the regulatory requirements applicable to professional trustees, and that the third party is obliged to comply with this Statement of Investment Principles.

Third parties, who are appointed to manage and invest a Scheme's assets, will be required by the Trustee to review all such portfolios against this Statement of Investment Principles and the Scheme rules on an agreed basis.

The Trustee may, when acting prudently and in good faith, rely on information, opinions, reports or statements, prepared or presented by officers or employees of the third party on matters which the Trustee believes to be within such person's professional or expert competence.

The Trustee will periodically review its Statement of Investment Principles and, monitor investment to ensure that these continue to be suitable for the generality of the Scheme membership and diversified in accordance with local regulatory requirements.

The Trustee shall act in the best interest of Members. If the Trustee considers any proposed investment to be outside the scope of this Statement of Investment Principles, or be inconsistent with a Scheme's rules, or contravene its regulatory obligations, the Trustee may vary the proportion of a members portfolio invested into a particular security, or refuse to invest in that security altogether.

All investment decisions are exercised

i) under the discretionary powers conferred upon the Trustee by the Schemes' Trust Deed and Rules, and
ii) in line with the requirements imposed by regulations

ENVIROMENTAL SOCIAL & GOVERNANCE FACTORS (ESG)

The Trustee does not consider environmental, social and governance factors in its investment policy because the cost to monitor the relevance and materiality of these factors is disproportionate to the size, nature and scale of the Trustee's activities.

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RISK MEASUREMENT METHODS

The defined contribution and long term investment nature of the Schemes mean that Members are fully exposed to market volatility and the risk of lower than expected investment returns.

The Trustee tries to mitigate this risk by making available funds which have a broad range of asset classes so that investments have varying elements of diversity, liquidity and volatility. The investment options within the pooled arrangements made available to Members are risk rated by the investment managers.

Funds are individually reviewed and signed off by the Trustee before Members are allowed to invest.

Members are encouraged to see investment advice when deciding which investment option is appropriate for their risk attitude and financial planning objectives.

RISK MANAGEMENT

Investments risk: Funds are not restricted to any particular asset type or jurisdiction; instead the Trustee will consider a broad range of funds which provide elements of diversification, liquidity and volatility.

Counterparty risk: This risk arises when the Trustee enters a financial contract with a third party which fails to fulfil its side of the agreement. The Trustee controls this risk by conducting appropriate due diligence on the counterparty before transacting with the counterparty. Funds will only be placed with a counterparty with a minimum credit rating of BBB, or if no credit rating then a Solvency Ratio of at least 25%. Generally the Trustee will transact with a single counterparty for investments up to £100m. In the event that an investment exceeded this limit, the Trustee would expect to transact with multiple counterparties.

Liquidity risk: This is the risk of exhausting liquid assets and therefore being unable to meet immediate liabilities, such as cash payments. The Trustee controls this risk by ensuring that all permitted funds are capable of being traded on a daily basis.

Operational risk: This is the risk of loss resulting from inadequate or failed internal processes, people or systems and external events. The Trustee manages these risks through robust processes and procedures. Appropriate business continuity plans are in place that will ensure continuity of service in the event of any disruption.

STRATEGIC ASSET ALLOCATION

Strategic asset allocation is a portfolio strategy that involves setting target allocations for various asset classes and re-balancing periodically. The portfolio is rebalanced to the original allocations when they deviate significantly from the initial settings due to differing returns from the various assets. All re-balancing will occur within the specific fund or portfolio operated by the investment managers within the parameters of the fund/portfolio mandate. The Schemes operate on a defined contribution basis without any underlying benefit promise or guaranteed investment return, consequently the nature of the Schemes investments do not require the Trustee to directly rebalance the portfolio.