

Opus Downer Retirement Scheme

Statement of Investment Policy and Objectives

29 November 2019

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1. Introduction

1.1 Purpose

This Statement of Investment Policy and Objectives ("SIPO") applies to the Opus Downer Retirement Scheme ("the Scheme").

The purpose of the SIPO is to document the Trustee's investment policy and objectives for the Scheme, including:

- the nature or types of investments that can be made (and the limits on those);
- the limits on the proportions of each type of asset invested in; and
- the methods used for developing and amending the investment strategy and measuring performance against the Trustee's investment objectives for the Scheme;

In addition the SIPO:

- details the Trustee's overall investment objectives;
- details the Trustee's investment strategy for the Scheme;
- specifies the investment guidelines and constraints to be observed by the managers of the funds into which the Scheme invests (Investment Managers);
- describes the allocation of responsibilities between the Trustee, the Investment Consultant and the Investment Managers;
- sets out the process for reviewing the investment strategy and updating the SIPO;
- details the process to follow in the event of a limit break (see section 7.1 below); and
- notes the requirement to comply with the Financial Markets Conduct Act 2013 ("FMCA"), the Financial Markets Conduct Regulations 2014 ("FMCR") and other statutes, regulations and trustee law.

1.2 Review of the SIPO

The SIPO will be reviewed every year to assess its ongoing suitability in light of the circumstances of the Scheme and the prevailing economic environment.

The Trustee may review the SIPO in the event of:

- a major change to the purposes of the Scheme;
- the occurrence of any event impacting on the Scheme's investments; or
- any other matter which the Trustee considers relevant to the Scheme's investment strategy,

The Trustee may also review the SIPO at any time at its sole discretion. The review will be carried out by the Trustee in conjunction with the Scheme's Investment Consultant, and will consider the objectives of the Scheme and take account of any changes in the investment outlook which may affect the relative value and role of the different investment sectors.

The Trustee is responsible for approving the SIPO. Changes to the SIPO will be made by resolution of the directors of the Trustee and the updated SIPO will be lodged as required by the FMCA.

A copy of the SIPO (as amended from time to time) will be available on the Scheme's register entry at www.business.govt.nz/disclose.

1.3 Background

The Scheme provides retirement and other benefits for employees of Opus International Consultants Limited, Downer New Zealand Limited and Century Drilling & Energy Services (NZ) Limited. It is governed by a trust deed which took effect on 30 November 2016 and is an employer related restricted workplace savings scheme for the purposes of the FMCA.

The Scheme is a defined contribution scheme. This means that a member's benefits are based on the accumulation of the member's and relevant company contributions together with a share of the Scheme's net investment earnings.

The Scheme is closed to new members and the average age of members in the Scheme is close to 60. The expected life of the Scheme is limited.

Members have the choice of two investment options within the Scheme - a Balanced Fund and a Cash Fund – with members also having the choice of investing partly in each of these two Funds and the ability to transfer between the Funds.

A sector specialist approach to the investment management of the Scheme's assets has been adopted by the Trustee. This means that the Trustee invests in products managed by different Investment Managers, and selects those investment products based on those Investment Managers' areas of expertise. Currently, there are three Investment Managers.

1.4 Document History

The SIPO was completely rewritten in December 2011 and superseded the previous SIPO which was dated July 2009.

The SIPO was amended in February 2013 to take into account the decision to exit the Tyndall Wholesale Global Equity Fund and invest the whole of the Scheme's allocation to global equities in the Tyndall Wholesale Multi Manager Global Equity Fund. That change took effect during January 2013. (Tyndall is now known as Nikko.)

The SIPO was amended at the 7 March 2014 Trustees' meeting to:

- change the investment out-performance objective for the Scheme's allocation to global equities from 2% pa in excess of the index return to 3% pa in excess of the index return – see the table in section 7.2. This change aligns the Scheme's expectations with the investment manager's target for its product.
- set out the custodian requirements – see section 6.3.

The SIPO was amended in March 2016. The purpose of that amendment was to reduce the outperformance objective of the Balanced Fund investment option from 3% pa (after inflation, tax and investment expenses) to 2% pa. In addition, various minor administrative amendments were made.

The SIPO was amended at 14 October 2016 to ensure compliance with the FMCA and all relevant legislation as well as to reflect changes in the Investment Managers.

The SIPO was again amended on 2 December 2016 to document the Trustee's decision to reduce the benchmark allocation to growth assets from 60% to 50%, with the transition taking place in two broadly equal steps.

The SIPO had a minor update in December 2017 as part of its regular annual review.

The SIPO had a minor update in March 2019 to reflect the change in index of the AMP New Zealand Fixed Interest Fund.

The SIPO was updated in August 2019 to reflect the change in fund manager for the cash asset sector.

The SIPO was updated in November 2019 for changes in the managers' outperformance targets, a minor change to the operating ranges for the asset allocation and typographical corrections.

1.5 Effective Date

This SIPO takes effect on 29 November 2019.

2. The Parties and their Responsibilities

2.1 Trustee

The Trustee of the Scheme is Opus Downer Retirement Trustee Limited. The details of the Trustee's directors from time to time can be found on the Companies Office website at <https://www.business.govt.nz/companies/>.

2.2 Investment Managers

The Investment Managers of the Scheme are:

- AMP Capital New Zealand Limited ("AMP Capital")
- Harbour Asset Management Limited ("Harbour")
- Nikko Asset Management Limited ("Nikko") – previously known as Tyndall

The Investment Managers listed above are the managers of pooled investment vehicles into which the Trustee invests. They do not currently separately provide any other investment management services for the Scheme.

2.3 Investment consultant

The Investment Consultant is Melville Jessup Weaver Limited.

2.4 Scheme Administrator

The Scheme's Administration Manager is Melville Jessup Weaver Limited.

2.5 Responsibilities of the Trustee

The FMCA requires the Trustee, when exercising any powers or performing any duties, to exercise the care, diligence and skill that a prudent person of business would exercise in the same circumstances. The Trustee Act 1956 also contemplates that when exercising any power of investment the Trustee will have regard, among other things, to the following matters:

- the need to maintain the real value of capital;
- the risk of capital loss or depreciation;
- the potential for capital appreciation;
- the likely income return;
- taxation; and
- the effects of inflation.

The responsibilities of the Trustee as they relate to the Scheme's investments include:

- establishing the investment objectives and investment strategy;
- appointing the Investment Managers to invest the Scheme's assets;
- approving the investment mandates of the Investment Managers or the investment in pooled investment vehicles managed by the Investment Managers;
- reviewing the performance and the fees of the Investment Managers;
- reviewing the performance of the Investment Consultant;

- communicating to members the results of the Scheme's performance;
- complying with the FMCA and the FMCR; and
- complying with the custodial requirements in terms of the FMCA and FMCR.

2.6 Investment Managers

The responsibilities of the Investment Managers are:

- to invest the relevant assets of the Scheme in accordance with each investment vehicle's investment guidelines and constraints;
- to provide a copy of the investment guidelines and constraints of the pooled investment vehicles into which the assets of the Scheme are invested to the Trustee and to advise the Trustee and the Investment Consultant of any changes to those investment guidelines and constraints;
- to provide reports to the Trustee and the Investment Consultant as required by the Trustee;
- to provide information on changes in their key personnel;
- to attend Trustee directors' meetings when requested;
- to participate with the Trustee and the Investment Consultant in the review of the SIPO;
- to comply with the provisions of the FMCA and any other relevant legislation;
- to provide compliance certificates as required by the Trustee and the Investment Consultant;
- to comply with the provisions of the FMCA and any other relevant legislation regarding all aspects of the investment management arrangements of the pooled investment vehicles into which the Scheme invests (including custody arrangements) and as soon as practicable to notify the Trustee and the Investment Consultant of any changes in the investment management or custody arrangements of those pooled investment vehicles;
- to provide the Trustee and the Investment Consultant with a statement notifying them of the use of derivatives within the relevant investment vehicles which they manage and to notify the Trustee and the Investment Consultant of any changes to their policy or practice with regard to derivatives; and
- to report to the Trustee and the Investment Consultant any material breaches of the FMCA or any other relevant legislation and any breaches of the investment guidelines and constraints of the pooled investment vehicles into which the assets of the Scheme are invested.

2.7 Investment Consultant

The responsibilities of the Investment Consultant are:

- to provide advice to the Trustee to ensure compliance with the FMCA, the FMCR and any other relevant legislation;
- to assist the Trustee in the regular review of the Scheme's investment objectives and strategy, including the SIPO;
- to provide advice on the Trustee's investment in pooled investment products managed by the Investment Managers;
- to assist the Trustee in the appointment of the Investment Managers;
- to monitor the performance of the Investment Managers;

- to provide general advice to the Trustee on investment matters;
- to attend Trustee directors' meetings when required; and
- to provide the Trustee with such additional information as it may require from time to time.

3. Investment Philosophy and Beliefs

3.1 Investment beliefs

The key investment beliefs of the Trustee are as follows:

- investment markets are broadly efficient;
- the prime driver of investment returns is the long term strategic asset allocation and it is important to limit asset allocation movements around this long term position;
- value cannot be added by making tactical asset allocation decisions and accordingly the asset allocation is managed on a passive basis;
- some investment managers can achieve above index returns in certain markets after taking into account the higher fees charged by active managers;
- in some markets, however, an indexed approach is more appropriate after taking into account investment fees;
- value can be added by efficient implementation and choosing tax effective funds and carefully managing investment costs; and
- diversification of investment management risk is important.

3.2 How these views are expressed

The investment strategy of the Scheme has been developed in accordance with the above beliefs. In addition, consistent with the investment beliefs set out above, the Trustee has a preference for the investments within each of the various asset classes to be managed on an active basis. This means that the relevant manager aims to produce gross returns in respect of each underlying fund (before investment fees and tax) which exceed the applicable index.

3.3 Socially responsible and ethical investments

The Trustee is conscious of its obligations as an asset owner and the growing awareness of the importance of investing in a sustainable fashion with a focus on the long term. The Trustee, where appropriate, will endeavour to develop its investment processes consistently with evolving thinking regarding the significance of environmental, social and governance factors within the decision making process.

4. Investment Strategy and Objectives

4.1 Investment Strategy

Members have the choice of two investment options within the Scheme, as follows:

- Cash Fund
- Balanced Fund

Both of these investment options have their own strategies, investment objectives and benchmark asset allocations.

The assets of the Balanced Fund are to be well diversified and invested across the major investment sectors, including shares, bonds and cash. The investment strategy requires a balance between:

- the need to maximise the long-term return; and
- the need to minimise the volatility of returns over the short term.

The assets of the Cash Fund are to be invested in cash and cash equivalents only.

4.2 Investment Objectives

Cash Fund

The investment objectives of the Cash Fund are as follows:

- to deliver positive stable returns that exceed S&P/NZX Bank Bills 90-Day Index returns by 0.3% pa over rolling 1 year periods before investment expenses,
- to produce a result in the top half of comparable funds (by asset mix) in the Melville Jessup Weaver Investment Survey over rolling 1 year periods.

Balanced Fund

The investment objectives of the Balanced Fund are as follows:

- to deliver a real return (after inflation - as measured by increase in the consumers price index, tax and investment expenses) of at least 1.5% pa over rolling 3 year periods,
- to produce a result in the top half of comparable funds (by asset mix) in the Melville Jessup Weaver Investment Survey over rolling 3 year periods.

4.3 Benchmark asset allocation and ranges

The benchmark asset allocation, maximum permitted ranges and operating ranges for the Balanced Fund are set out in the tables below. For completeness the Cash Fund is also included. The ranges are intended:

- to ensure that the risk / return profile of each investment option remains broadly consistent over time notwithstanding market movements;
- to accommodate market movements and cash flow requirements.

The ranges are not to be used in an attempt to enhance the return - for example by deliberately skewing the weighting of some asset classes towards the bottom of the permitted ranges and others towards the top.

Balanced Fund	Benchmark Asset Allocation %	Maximum Permitted Ranges			Operating Ranges		
		%	-	%	%	-	%
Australasian equities	15.0	5.0	-	25.0	12.0	-	18.0
Global equities	35.0	25.0	-	45.0	32.0	-	38.0
Total growth assets	50.0	40.0	-	60.0	47.0	-	53.0
New Zealand bonds	18.0	8.0	-	28.0	15.0	-	21.0
Global bonds	27.0	17.0	-	37.0	24.0	-	30.0
Cash	5.0	0.0	-	15.0	2.0	-	10.0
Total Income assets	50.0	40.0	-	60.0	47.0	-	53.0

Cash Fund	Benchmark Asset Allocation %
Cash	100.0

The rebalancing rules are set out in section 5.2.

Australasian equities means equity securities issued by entities that are listed on NZX or Australian Securities Exchange (or if not listed are issued by an entity that is incorporated in New Zealand or Australia).

Global equities means equity securities issued by entities that are principally listed on an exchange other than NZX and Australian Securities Exchange (or if not listed are issued by an entity that is incorporated outside New Zealand or Australia).

New Zealand Bonds means debt obligations which are listed in New Zealand or issued by a New Zealand entity. New Zealand Bonds include but are not limited to government, local authority and corporate debt.

Global Bonds means debt obligations that are principally listed offshore and not issued by a New Zealand entity. Global Bonds include but are not limited to government, local authority and corporate debt.

Cash means investments in short term and highly liquid securities, such as government treasury bills and short-term bank deposits.

The Trustee or Investment Manager may also invest in:

- pooled investment vehicles which the Trustee or Investment Manager consider invest in assets which fall within (or predominantly within) one of the above sectors; and
- other investments (not explicitly referred to or permitted) that the Trustee or Investment Manager considers are of a type which should be regarded as fairly falling within a sector, appropriately reflects the risk profile of the Scheme and will contribute to meeting the performance objectives of the Scheme.

Foreign Currency

The benchmark foreign currency hedging position is as follows:

- Global bonds 100% hedged at all times
- Global shares 50% hedged, with a range of 45% to 55%.

The hedging range of 45% to 55% is to accommodate market movements and currency movements only. It is not intended to permit “active” currency management by deliberately skewing away from 50%.

The 50% benchmark hedging position for global shares is to be achieved by investing in both the hedged and unhedged versions of the Nikko Wholesale Multi-Manager Global Equity Funds, in approximately equal proportions.

4.4 Benchmark Asset Allocation, Maximum Permitted Ranges and Operating Ranges explained

The Benchmark Asset Allocation is the Trustee’s target exposure for the Scheme to each particular asset class. The Financial Markets Conduct Regulations 2014 require the use of the term ‘target asset allocation’ when describing benchmarks in a Fund Update. In this SIPO the Trustee prefers the industry term ‘Benchmark Asset Allocation’.

The Maximum Permitted Ranges are intended to limit the extent to which the target exposure of the Scheme to a particular asset class may vary from the Benchmark Asset Allocation.

The Operating Ranges indicate the level of variance from the Benchmark Asset Allocation above which the Trustee will begin making precautionary adjustments to asset allocations so as to ensure that the actual asset allocation remains as close to the Benchmark Asset Allocation as practicable and to prevent any limit break occurring (see 7.1).

4.5 Taxation

The Scheme is a widely held superannuation fund for tax purposes and accordingly its investment income is subject to tax at a basic rate of 28%.

- Fixed interest investments, including cash, are taxed under the comparative value method, which measures the fluctuation in value over the relevant income year (with any increase in value attributed to investors being subject to New Zealand income tax in that year).
- Global shares are taxed under the fair dividend rate (FDR) method. Under FDR, investments give rise to deemed income in an income year (or part year) equal to 5% of their opening market value at the beginning of the year (with that 5% pro-rated for a period less than an income year),
- Capital gains on Australasian shares are not subject to tax. Dividends are taxable.
- Generally, all hedging gains and losses are fully taxed within the relevant product.

While the Scheme invests through New Zealand based pooled investment vehicles qualifying as Portfolio Investment Entities (“PIEs”) it is not itself a PIE.

4.6 Investment strategy review

The investment strategy shall be reviewed whenever the SIPO is reviewed (as set out in section 1.2). The review will consider the objectives of the Scheme and take account of any changes in the investment outlook which may affect the relative value and role of the different investment sectors.

5. Investment Parameters and Benchmarks

5.1 Investment Parameters

The Scheme's assets shall be invested by the Investment Managers in accordance with the investment guidelines and constraints set out in the Appendix.

5.2 Tactical asset allocation and rebalancing

As noted in section 4.3, the Maximum Permitted Ranges are to ensure that the risk / return profile of each investment option remains broadly consistent over time notwithstanding market movements and are not used in an attempt to enhance returns. They recognise that market movements and cash flows can result in the actual asset allocations becoming different from the benchmark asset allocations.

Accordingly, the Trustee has adopted the following process for ensuring that actual asset allocation remains close to the Benchmark Asset Allocation.

The maximum permitted variance from the benchmark allocation is set out in the table in section 4.3 under the column headed "Maximum Permitted Ranges". If, at any time, the Trustee becomes aware that any allocation falls outside of the relevant Maximum Permitted Range, then the Trustee shall arrange to rebalance the Scheme's investments to within the Operating Ranges by realising the Schemes investments in one or more asset classes and reinvesting them in other asset classes so as to bring the overall asset allocation of each investment option back within the Operating Ranges for that option. The rebalancing shall take place within five working days of the Trustee becoming aware of the need for a rebalancing to take place. This policy also applies to the rebalancing of the allocation of the Scheme's investments between hedged and unhedged variants of the global equities asset class.

Notwithstanding the process above however, in normal circumstances the Trustee believes that the actual asset allocation should be closer to the Benchmark Asset Allocation than limits of the Maximum Permitted Ranges.

Accordingly, if, at any time, any allocation falls outside of any of the Operating Ranges as set out in the table in section 4.3 then, as soon as practicable, the Trustee shall arrange for a rebalancing to take place such that the actual allocations are within the Operating Ranges.

For the avoidance of doubt, the Operating Ranges are not limits – they simply describe the level of variance from benchmark beyond which the Trustee has decided to make precautionary adjustments to asset allocations so as to ensure that the asset allocation remain as close to benchmark as practicable and to prevent any limit break occurring (see 7.1).

5.3 Cashflow management

The rules for managing cash flow and the distribution of assets between sectors and Investment Managers are as follows:

Scheme Administrator's bank account

- The Scheme Administrator will maintain a bank account in the name of the Trustee for the purposes of managing the Scheme's short term cash flows; in particular the receipt of member and employer contributions and the payment of benefits, expenses and tax.
- When the bank account reaches a size which is more than sufficient to meet the short term cash flow requirements, the excess shall be transferred to one or more of the Investment Managers for investment.

- Where the bank account is insufficient to meet the Scheme's short term cash flow requirements, then the shortfall shall be met by way of transfer from the Investment Managers. In this case the Investment Manager(s) will realise certain of the Scheme's Investments as directed by the Trustee.
- The amount to be transferred to or from the Investment Managers' shall be determined by the Scheme Administrator in consultation with the Investment Consultant.

Split of assets between the Cash Fund and the Balanced Fund

- Separate assets shall be maintained for the Cash Fund and the Balanced Fund.
- The assets of the Cash Fund shall be maintained so as to be as close as practicably possible to the value of the account balances.
- The remainder of the assets shall be invested in the Balanced Fund.

6. Investment Managers and Custodian Arrangements

6.1 Introduction

The Trustee has appointed the following Investment Managers to manage the Scheme's assets.

AMP Capital

AMP Capital has been appointed to manage:

- the New Zealand bond sector of the Balanced Fund.

Harbour

Harbour has been appointed to manage:

- the Australasian equities sector of the Balanced Fund.

Nikko

Nikko has been appointed to manage:

- the whole of the Cash Fund;
- the cash sector of the Balanced Fund;
- the global equities sector of the Balanced Fund; and
- the global bond sector of the Balanced Fund.

6.2 Investment Vehicles

As at the date of this SIPO the assets of the Scheme are invested by the Investment Managers in the following investment vehicles:

Asset class	Investment manager	Investment vehicle
Australasian equities	Harbour	Harbour NZ Advanced Beta Fund Harbour Australasian Equity Income Fund
Global equities	Nikko	Nikko AM Wholesale Global Equity Unhedged Fund Nikko AM Wholesale Global Equity Hedged Fund
NZ Bonds	AMP Capital	AMP Capital NZ Fixed Interest Fund
Global Bonds	Nikko	Nikko AM Wholesale Global Bond Fund
Cash	Nikko	Nikko AM Wholesale NZ Cash Fund

6.3 Custodian Arrangements

Custody of the underlying investments for each of the products is held by a separate custodian. The Trustee notes that the current custodians of each of the investment vehicles into which the Scheme invests are as follows.

Product	Custodian
Harbour NZ Advanced Beta Fund	Trustees Executors
Harbour Australasian Equity Income Fund	Trustees Executors
Nikko AM Wholesale Global Equity Unhedged Fund	BNP Paribas
Nikko AM Wholesale Global Equity Hedged Fund	BNP Paribas
AMP Capital NZ Fixed Interest Fund	BNP Paribas
Nikko AM Wholesale Global Bond Fund	BNP Paribas
Nikko AM Wholesale NZ Cash Fund	BNP Paribas

Any changes to the custodian arrangements shall be notified by the Investment Manager to the Trustee and the Investment Consultant as soon as practicable.

In all cases funds are to be sent to / received from a bank account operated by the custodian on behalf of the trustee of the product. Funds are not permitted to flow through the Investment Managers' own bank accounts.

7. Investment Monitoring

7.1 Monitoring compliance

The Trustee monitors compliance with the SIPO, and the Scheme's performance against the investment objectives, through the reporting provided to it as set out below. The Scheme's compliance with this SIPO is formally reviewed by the Trustee at each scheduled Board meeting. Any required changes to the SIPO will be made as outlined in section 1.2.

If a limit break occurs, the Trustee will report to the FMA as prescribed by the relevant legislation. The Trustee will also consider whether any action needs to be taken in respect of the break, or whether any further compliance monitoring or assurance measures are required.

For the purposes of this SIPO, a "limit break" is any material breach of any limits on either the nature or type of investments that may be made by the Scheme or the proportion of each type of assets that may be invested in, as set out in this SIPO (see sections 4.3 and 5.2).

7.2 Investment Manager Evaluation Criteria

The Investment Managers are expected to add value by active stock selection decisions within each investment sector.

The key criteria by which the performance of each Investment Manager will be measured are set out below:

Individual Sector Performance

Each Investment Manager is expected to achieve a return before tax and investment expenses within each investment vehicle, over rolling three year periods, which:

- exceeds the relevant index by the margins specified in the table below; and
- is above the median level of comparable managers in the Melville Jessup Weaver quarterly investment survey.

Asset class	Investment vehicle	Index	Outperformance objective % p.a.
Australasian equities	Harbour New Zealand Equity Advanced Beta Fund	S&P/NZX 50 Portfolio Index	0.5
	Harbour Australasian Equity Income Fund	Composite Index*	1.0
Global equities	Nikko AM Wholesale Global Equity Unhedged Fund	MSCI All Country World Index	2.0
	Nikko AM Wholesale Global Equity Hedged Fund	MSCI All Country World Index (hedged)	2.0
New Zealand bonds	AMP Capital New Zealand Fixed Interest Fund	Bloomberg NZBond Composite 0+ Yr Index	0.5
Global bonds	Nikko AM Wholesale Global Bond Fund	Bloomberg Barclays Global Aggregate Bond Index	1.0
Cash	AMP Capital New Zealand Cash Fund	Bloomberg NZBond Bank Bill Index	0.3

* 60% S&P/NASX Industrials Index (equally weighted and 90% hedged) and 40% S&P/NZX 50 Portfolio Index

7.3 Investment Performance Monitoring

The Scheme's performance against the criteria set out in Section 7.2 is monitored at each scheduled Trustee directors' meeting.

7.4 Investment Manager Review

The Investment Managers shall be subject to a formal review at least every year with a full review being carried out every three years. Notwithstanding this, reviews will take place at any other time if the Trustee resolves to do so.

8. Investment Reporting

8.1 Investment Managers

The following information is required from the Investment Managers on a monthly basis for each asset class under management:

- market values as at the month end,
- actual returns including fees and tax for the month, rolling quarter and year to date,
- index returns for the same periods,
- taxable income for the month and year to date,
- contributions and withdrawals for the month,
- confirmation of compliance with the FMCA and any other relevant legislation.
- details of any breaches of the investment vehicle's trust deed or other key documents and any investment or management practice that materially falls outside the terms of the Investment Guidelines and Constraints.

The reports are required no later than business day 10 following month end.

In addition, at the end of each quarter, each Investment Manager is to provide a more comprehensive report, including:

- accounting information over the period including a balance sheet, and transaction details,
- comment on past performance and the reason for out/under performance,
- economic comment pertinent to the relevant asset class and the outlook for future returns,
- a detailed compliance / risk monitoring report, including a statement on whether the Investment Manager has complied with the investment guidelines and constraints set out in the Appendix to the SIPO.

At the end of the financial year, each Investment Manager is to provide:

- a statement on the net assets and the insurances held by the Investment Manager;
- such additional information as is required to enable the financial statements of the Scheme to be prepared.

8.2 Investment Consultant

On a quarterly basis, the Investment Consultant will provide an investment report to the Trustee which contains sufficient information to enable the Trustee to monitor the performance of the Investment Managers including against the evaluation criteria. The quarterly performance report shall include:

- market values as at the end of the quarter,
- actual returns gross of fees and tax for each Fund for the quarter, the previous year and the previous three years,
- an estimate of the net returns over the same periods,
- benchmark returns for the same periods,
- an attribution analysis, showing where value has been added or lost,
- a comparison of returns against other investment managers,

- an investment commentary, including Investment Manager developments,
- such other information as may be requested by the Trustee.

The Investment Consultant will assist the Trustees in the annual review of this SIPO.

INVESTMENT GUIDELINES AND CONSTRAINTS

APPENDIX

The guidelines and constraints required by the Trustee to be observed by each Investment Manager, as applicable, are set out below. For the purposes of these constraints, "Portfolio" shall relate to the portion of the Scheme's assets either under the management of the Investment Manager or invested in pooled investment vehicles managed by the Investment Managers. Where the Trustee has an investment management agreement with the Investment Manager these guidelines and constraints should, so far as relevant, be incorporated into that agreement. However, where the Trustee invests in pooled investment vehicles the Trustee recognises that those vehicles may invest other than in accordance with these guidelines and constraints. As at the date of this SIPO the Trustee has invested entirely in pooled investment vehicles.

Where the Investment Managers manage Scheme assets directly (not as part of a wider pooled investment arrangement including trusts), the Investment Managers will be required to follow these guidelines and constraints.

Where (as currently) the Trustee invests in pooled investment vehicles, it is not possible for the Trustee to require the Investment Managers to follow these guidelines and constraints. Rather, the Trustee will require the Investment Managers to inform the Investment Consultant of, and the Investment Consultant is to monitor and report to the Trustee on, any provision of the investment vehicle's trust deed or other key documents and any investment or management practice that materially falls outside the terms of these Investment Guidelines and Constraints, so that the Trustee (in each case), is able to regularly reassess the overall suitability of that investment vehicle.

- Where the Investment Manager's portion of the Scheme consists partly or wholly of a portfolio of individual securities, the Investment Manager shall select securities within each asset class subject to the constraints imposed by any investment management agreement or in this SIPO or by any applicable legislation, as appropriate. Where the Investment Manager's portion of the Scheme consists wholly of managed investment products in an investment vehicle or vehicles managed by the Investment Manager, the Investment Manager shall select securities in accordance with the rules of such Investment Vehicle(s) as notified to the Trustee.
- Investment of the Portfolio shall be made in compliance with all laws and regulations governing managed investment fund investments.
- Derivatives (including foreign exchange contracts) are to be restricted to hedging techniques and are not to be used to leverage the Portfolio or to speculate or create net short positions. Each Investment Manager shall provide the Trustee and the Investment Consultant with a statement on the use of derivatives and shall immediately notify the Trustee and the Investment Consultant of any changes to their policy or practice with regard to such products.
- Unless the Trustee otherwise agrees in writing, the Investment Manager must maintain the asset mix of the Portfolio within the permitted ranges of the pooled investment vehicles managed by the Investment Manager.
- Not more than 10% of the Scheme's assets may be invested in securities of any one company without the written prior approval of the Trustee.
- The Scheme's interest in any investment vehicles shall not exceed 10% of the assets of that investment vehicle, unless a larger investment is specifically authorised by the Trustee.