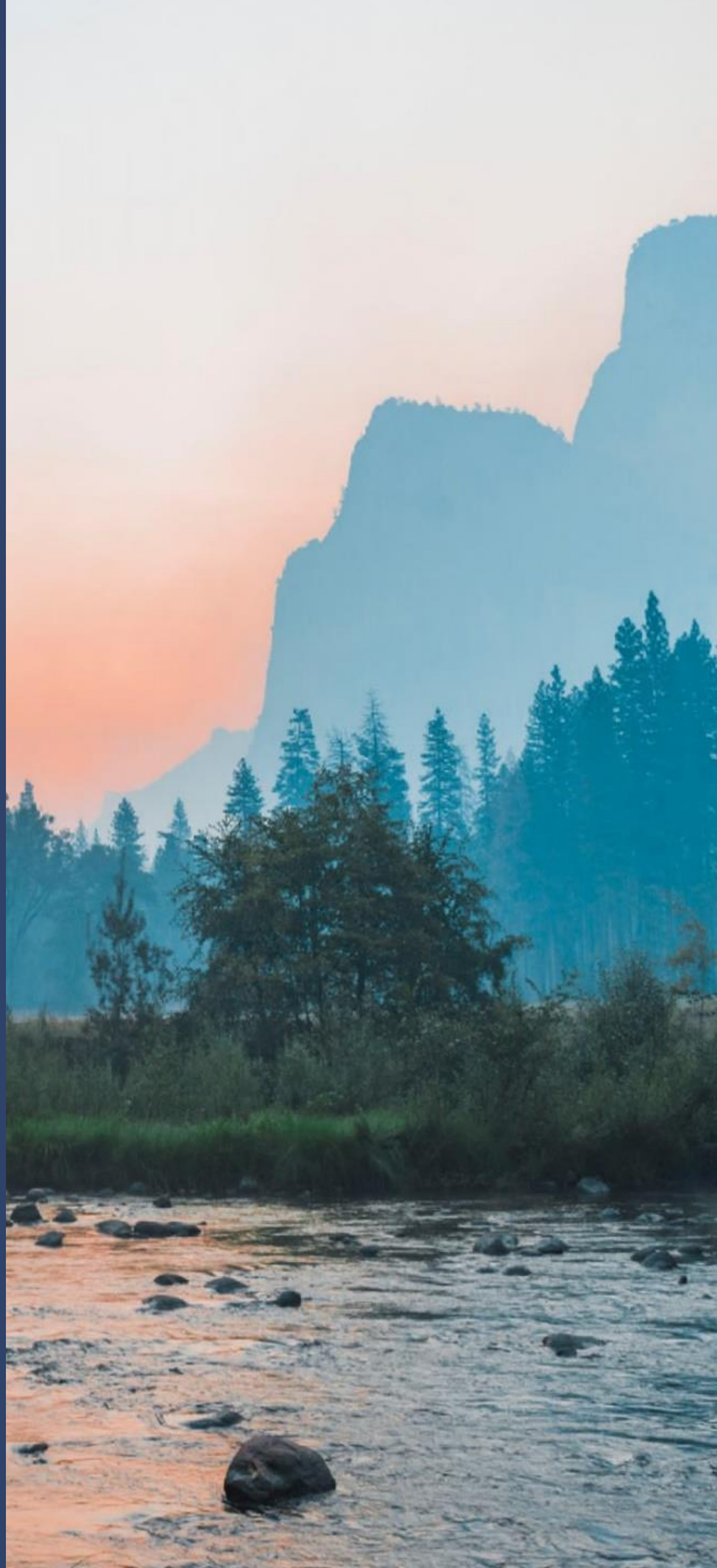
Addendum to the Statement of Investment Principles

For the MUTB Pension Scheme

Effective from: January 2023

This addendum to the Statement of Investment Principles ("SIP") for the MUTB Pension Scheme (the "Scheme") has been produced by the Trustees of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme's investment arrangements.



Part 1:
Investment governance, responsibilities, decision-making and fees

We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.

1. Trustees

Our responsibilities include:

- setting the investment strategy, in consultation with the employer;
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring, reviewing, and replacing investment managers, investment advisers, actuary, and other service providers;
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended);
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- reviewing the SIP and modifying it as necessary.

2. Investment manager

The investment manager's responsibilities include:

- managing the portfolio of assets according to its stated objectives, and within the guidelines and restrictions set out in its investment manager agreement and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- assisting us with reviews of this SIP.

4. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment manager receives fees calculated by reference to the market value of assets under management.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

5. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

Part 2:
Policy towards risk

1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time;
- the agreed journey plan and employer contributions;
- the Scheme's long-term and shorter-term funding targets;
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Scheme's current investment strategy, as at 23 November 2022, the Scheme's 3 year 95% Value at Risk (on an estimated buy-out basis) was estimated to be around £1.0m (or 3% of Scheme assets). This means that there is estimated to be a 1 in 20 chance that the Scheme's funding position will worsen by £1.0m or more, compared to the expected position, over a three year period. When deciding on the current investment strategy, we believed this level of risk was appropriate given the Scheme's objectives and its employer covenant.

2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg corporate bonds), could materially adversely affect the Scheme's assets. We believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

Credit risk

The Scheme is subject to credit risk because it invests in bonds via a pooled fund. This risk is managed by only investing in a pooled fund that has a diversified exposure to different credit issuers, and primarily invest in bonds that are classified as "investment grade".

Equity and currency risk

The Scheme no longer has any material equity or currency risk as the investments are solely in Sterling denominated bonds.

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because the Scheme's assets are held in bond funds. However, the interest rate and inflation exposure of the Scheme's assets provides protection (hedges) part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and from time to time review how this risk is being managed in practice.

Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately, and from time to time review how these risks are being managed in practice.

Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets to meet benefit payments. We are aware of the Scheme’s cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme’s investments.

Other non-investment risks

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected);
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated); and
- risk relating to the uncertainty of insurer buy-out pricing.

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

Part 3:
Investment manager arrangements

Details of the investment managers are set out below.

Legal & General – Corporate Bonds

The Scheme invests in the following Corporate Bond fund:

- Active Corporate Bond – All Stocks - Fund. The investment objective of the fund is to exceed the Markit iBoxx £ Non-Gilts Index by 0.75% pa (before fees) over a thee year rolling period.

Legal & General – Index-Linked Gilts

The Scheme invests in the following Index-Linked Gilts:

- Over 5 Year Index-Linked Gilts Index Fund. The investment objective of the fund is to track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index to within +/-0.25% pa for two out of three years.

- Over 15 Year Index-Linked Gilts Index Fund. The investment objective of the fund is to track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 15 Years Index to within +/-0.25% pa for two out of three years.

Legal & General – Fixed interest Gilts

The Scheme invests in the following Fixed interest Gilt fund:

- Over 15 Year Gilts Index Fund. The investment objective of the fund is to track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index to within +/-0.25% pa for two out of three years.

These Legal & General funds are priced weekly, are open-ended and are not listed on a public stock exchange.

Additional Voluntary Contributions

The Trustees have selected Prudential Life Assurance as the Scheme's money purchase AVC provider.