DEFAULT ARRANGEMENT STATEMENT OF INVESTMENT PRINCIPLES

Alterian Pension Scheme

Contents

1. Introduction......3

2. Default Arrangement Statement of Investment Principles......4

3. Investment Responsibilities......6

4. Setting the Investment Strategy......8

5. Additional Considerations......10

6. Risks......12

7. Relationship with Investment Managers......14

8. Compliance......16

9. Appendix......17

1. Introduction

This document has been produced by the Trustee of the Alterian Pension Scheme (the "Scheme") after receiving advice from Argyle Consulting Ltd ("Argyle").

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015/879.

The aims, policies and objectives of the Statement of Investment Principles ensure that the assets in the Scheme's default arrangement (the "Default Arrangement") are invested in the best interests of members and beneficiaries.

The Scheme consists solely of 'defined contribution' ("DC") assets. The Trustee's investment powers, including as applicable to the Default Arrangement, are set out in the Scheme's Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

2. Default Arrangement Statement of Investment Principles

This Statement sets down the principles governing decisions about investments of DC assets and supersedes any previous Statements prepared by the Trustee.

In preparing this Statement, the Trustee has:

- Consulted with SDL Ltd (the "Company" and the "Sponsor"), although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustee.

- Obtained and considered written professional advice and recommendations from Argyle who the Trustee has appointed to review the Default Arrangement investments. Argyle is authorised and regulated by the Financial Conduct Authority ("FCA"). It is confirmed to the Trustee that Argyle has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

Contributions are invested in unitised funds, managed by Legal & General Investment Management ("LGIM").

The default investment approach invests in the following funds:

- LGIM Multi Asset, LGIM Over 15 Year Gilt Index & LGIM Cash.

The default fund has a glidepath reducing the exposure to the Multi Asset holdings, this automatic de-risking commences five years prior to retirement.

INVESTMENT FUND			
Years to Target Retirement Age	% Multi Asset Fund	% Over 15 Year Gilt Index	% Cash
5+	100	0	0
4	80	15	5
3	60	30	10
2	40	45	15
1	20	60	20
0	0	75	25

This approach is de-risking towards Fixed Interest and Cash, which is consistent with the Trustee approach to secure annuities for the members. The investments are overseen by LGIM and the investment managers will make changes to the underlying holdings when they feel this is required.

In addition to the default fund, members have a number of alternative unitised investment funds to select from, such as the UK Ethical Equity fund. All funds available to the members (with the exception of the Cash fund) are passively managed. All members are currently invested in the three funds which make up the default strategy. Full details of the default fund and alternative investments are provided to members via the Scheme explanatory literature.

The Trustee will review this Statement at least once every three years. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Company. The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.

3. Investment Responsibilities

3.1 Trustee Responsibilities

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore, the Trustee is responsible for setting the investment objectives and determining the strategy to achieve those objectives. It sets the overall investment target and then monitors the performance of its investment managers against the target. In doing so, the Trustee considers the advice of its professional advisers who it considers to be suitably qualified and experienced for this role.

Its duties and responsibilities include but are not limited to:

- Regular approval of this Statement and monitoring compliance with this Statement
- Appointment, removal (where applicable) and review of its investment managers or investment adviser and its performance relative to relevant benchmarks
- Assessment of the investment risks run by the Default Arrangement
- Monitoring and review of the asset allocation

3.2 Investment Adviser's Duties and Responsibilities

The Trustee's appointed investment advisor is LGIM. LGIM provides an investment approach/glidepath which targets an annuity purchase at retirement. LGIM support the following areas:

- Setting investment aims and objectives, where relevant
- Investment of the funds mainly in UK and overseas shares. The funds will also invest in fixed interest securities such as government bonds, corporate bonds and cash. The assets held within the funds are passively managed.
- Automatic adjustment of holdings from 5 years until retirement age

It should be noted that the Trustee retains responsibility for all decisions.

LGIM receive an Annual Management Charge ("AMC") for their fund management of 0.31%. Having reviewed the total investment management fees, they appear to be competitive against the wider market.

3.3 Investment Managers' Duties and Responsibilities

The Trustee, after considering suitable advice, appointed LGIM who adopt a lifestyle strategy which holds greater Equity content in the early years via the LGIM Multi Asset fund, however reduces the exposure five years from retirement rebalancing to long dated Gilts and Cash. This is approach is in line with the Trustee stated aim of providing annuity purchase at retirement. LGIM have over 20 years' experience in managing pension assets and now manage over a trillion £ on behalf of investors.

The investment managers are detailed in the Appendix of this Statement. These investment managers are authorised and regulated by the FCA and are responsible for stock selection and asset allocation. The managers are compensated by fund-based charges on the value of the Default Arrangement's assets that they hold.

4. Setting the Investment Strategy

4.1 Investment Strategy

The Trustee has determined its investment strategy after considering the Default Arrangement's objectives, its own appetite for risk and member objectives.

4.2 Types of Investment

The Default Arrangement's assets are invested on behalf of the Trustee by LGIM, through the Scheme administrator Capita. The assets are invested in Insured funds which are passively managed (with the exception of the Cash fund).

The Trustee is permitted to invest across a wide range of asset classes, including but not limited to: equities, bonds, cash, property and alternative asset classes. The use of derivatives for efficient management only is as permitted by the guidelines that apply to pooled funds.

The Trustee's policy is not to invest directly in employer-related investments but may hold employer-related investments through the pooled funds.

4.3 Balance Between Different Types of Investment

The Trustee has considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class.

4.4 Expected Return on Investments

The Trustee has noted the long-run relationships that exist between the returns from different asset classes and has noted the different expected risk/return characteristics of the different asset classes.

In particular, equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from corporate bonds, fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns.

During the accumulation phase (more than five years to retirement), the strategy will hold its highest level of equity assets. The Trustee has set an objective to return in excess of general price and salary inflation over the longer term.

During the decumulation phase (five years or less to retirement), the strategy will lower exposure to the LGIM Multi Asset fund and gradually switch all holdings to LGIM Over 15 Year Gilt Index (75%) and Cash (25%). The Trustee has set an objective with the aim of providing protection against annuity rate movements.

4.5 Realisation of Investments

The Default Arrangement's assets are invested in pooled vehicles, which in turn invest generally in securities traded on recognised exchanges. The Default Arrangement's investments can generally be readily realised if necessary, and the funds are daily or weekly priced.

5. Additional Considerations

5.1 Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance issues as part of the investment process to determine a strategic asset allocation. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes it is investing in. However, the Trustee has not made an explicit allowance for risks associated with climate change as it believes that it is difficult to accurately quantify.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its investment managers to take account of financially material considerations.

The Trustee accepts that the Default Arrangement’s assets are subject to the investment manager’s own policy on socially responsible investment. The Trustee is satisfied that this corresponds with its responsibilities to the beneficiaries of the Default Arrangement.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers. If any manager's views prove to be inconsistent with the Trustee’s policies, then the Trustee may look to replace them with a manager that does have consistent views.

5.2 Non-Financially Material Considerations

The Trustee has not considered non-financially material matters in the investment process.

5.3 Stewardship

The Trustee’s policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee’s behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should take account, where it believes appropriate, of social, environment and ethical factors in the exercise of such rights. The Trustee has reviewed the investment managers voting policies and decided that they are appropriate. The Trustee will continue to monitor this regularly.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code. All the investment managers have published corporate governance policies. The policies comply with these principles.

The Trustee delegates primary responsibility for corporate engagement activities to its Investment Manager. The Investment Manager engage with companies on their performance, strategy, capital structure, management of actual and potential conflicts of interest, risks, social and environmental impact and corporate governance. LGIM report regularly on their engagement with investee companies.

6. Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Default Arrangement's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustee measures and monitors its risks by receiving monitoring reports which report on the performance of its assets and its managers. The key risks and the policies are as follows:

6.1 Concentration Risk

This is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities. LGIM are responsible for the asset allocation and hold a wide range of investments within the default fund.

6.2 Investment Manager Risk

This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.

6.3 Liquidity Risk

The Scheme invests in assets that are generally invested in quoted markets and are intended to be readily realisable.

6.4 Market Risk

Most of the underlying financial assets in the pooled funds are transacted on a regulated market. Markets provide transparency, liquidity, efficiency and regulation to ensure investors achieve a fair price for their assets. There is a chance that investors lose confidence in one or more markets, and therefore the investor is not able to buy or sell an asset. When a market is no longer functioning the prices between the buying and selling prices tend to widen.

6.5 Currency Risk

The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging is used to manage this risk.

6.6 Loss of Investment Risk

There is a risk of loss of investment by the investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustee undertakes regular reviews of the internal controls and processes of the investment manager.

6.7 Environmental, Social and Governance (ESG) and Climate Change Risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio. This can lead to losses that may not have been factored into any assumptions. The Trustee has considered ESG issues as part of the investment process but has made no explicit allowance for risks associated with climate change as it believes it is difficult to accurately quantify.

7. Relationship with Investment Managers

The Trustee is reviewing its policies with the Investment Manager which set out the contractual relationship between the parties and govern key aspects, focussing on: how the Investment Manager is remunerated, how the Trustee reviews and monitors the performance of the Investment Manager and the duration of the arrangements with the Investment Manager.

The Trustee will incorporate its expectations on ESG and climate change into the selection and review process for Investment Managers to ensure that it understands the extent to which ESG is incorporated into the Manager's investment philosophy and process.

The Trustee requires its Investment Manager to have integrated ESG factors as part of their investment analysis and decision-making process. As the investments are in pooled funds, the Trustee has limited influence over the decisions taken by the Investment Manager but do monitor ESG factors on a regular basis.

7.1 Incentivising Investment Managers

The investment strategy utilises pooled funds and therefore the Trustee is limited in its scope to influence the Investment Manager to align their investment strategies with the Trustee investment policies. The Trustee acknowledges that there may be circumstances where the Manager cannot fully align their strategy and decisions to the policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

7.2 Assessing Medium to Long-Term Performance of Investments

Performance in the medium to long-term can be improved where the Investment Manager makes decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and where they engage with issuers of debt or equity. The Trustee monitors how LGIM make decisions based on the long-term sustainability of the companies in which they invest, their own ESG policies and their approach to climate related risks and disclosures.

The Trustee has no concerns however, should they, these will be raised with the Investment Manager.

7.3 Monitoring Performance and Remuneration

The Trustee periodically monitors the performance of their Investment Manager. When assessing the performance of the Investment Manager, the Trustee considers (amongst other factors):

- The Investment Manager's financial performance
- Where applicable, how well the Investment Manager is aligned with the SIP and the Trustee's investment policies
- The quality of service provided by the Investment Manager, including the quality of reporting and climate-related disclosure available.

Any Investment Manager which is considered to be underperforming may be required to account for their performance and their mandate may be terminated.

7.4 Monitoring Portfolio Turnover and Costs

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in fund performance.

The investment strategy utilises pooled funds with stated Annual Management Charges and limited transaction costs of less than 0.01% pa. The Trustee will continue to monitor ongoing transaction costs and will challenge these with the Investment Manager should it deem these costs to be excessive.

7.5 Duration of Arrangements with Investment Manager

Given that the intention is for the Scheme to be wound up in the short term, the Trustee expects the current arrangements with the Investment Manager to terminate over the next couple of years.

8. Compliance

The Trustee confirms that it has received and considered written advice from Argyle on the establishment and implementation of its investment strategy.

The Trustee confirms that it has consulted with the Company regarding its strategy. Copies of this Statement and any subsequent amendments will be made available to the Company and the investment managers.

The Trustee will review this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

Signed on behalf of the Trustee of the Scheme	
Name	Ushi Nightingale, Chair
Position	of Trustees
Date	1st October 2020

9. Appendix

9.1 Rebalancing and Cash Flow Management

The Trustee understands that the asset allocation of investments will vary over time due to market movements. LGIM will make regular adjustments to the Multi Asset holdings as the glidepath to retirement commences.

9.2 Investment Managers

The Trustee has invested the Default Arrangement assets through a pooled fund with LGIM.

LGIM conduct full investment administration for the Default Arrangement and carry out the day to day management of the underlying investment managers.

9.3 Charges

Investment Manager	Fund	Annual Management Charge
LGIM	Consensus Index	0.31%
LGIM	Over 15 year Gilt Index	0.10%
LGIM	Cash	0.20%