

The Faculty of Advocates Retirement and Death Benefits Plan

Statement of Investment Principles

1. Introduction

The Trustee of the Faculty of Advocates Retirement and Death Benefits Plan ("the Trustee" and "the Plan") is required to prepare, maintain and from time to time revise, a written statement of the principles governing decisions made about the investment of the assets.

This document is the Trustee's Statement of Investment Principles ("the Statement") prepared in accordance with Section 35 of the Pensions Act 1995.

This document has been prepared by the Trustee, having obtained advice from a suitably qualified person and supersedes any previous Statement adopted by the Trustee of the Plan.

2. Scheme Governance

The investment powers of the Trustee are set out in the Plan Rules. This Statement is consistent with those powers.

As required by current UK legislation, the Trustee's Statement of Investment Principles is subject to regular review by the Trustee, in consultation with Joint Employers and sponsor of the Plan (the Faculty of Advocates and Faculty Services Limited).

In accordance with the Financial Services & Markets Act 2000, the Trustee has set general investment policy, but has delegated the day-to-day investment of the Plan's assets to professional investment managers. The investment managers are authorised by the Financial Conduct Authority to provide the expertise necessary to manage the investments of the Plan competently.

The Trustee is satisfied that the Investment Managers have the appropriate knowledge and experience in managing the investments of the scheme, and they carry out their role in accordance with the criteria for investments set out in the Occupational Pension Schemes (Investment) Regulations 2005, the principles set out in this SIP, the Trustees investment policies and any applicable investment guidelines and restrictions agreed with the Trustee.

The Trustee consider that the governance structure that they employ is appropriate for the Plan, as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the investment manager or other advisers as considered appropriate.

In this regard, the Trustee Investment Committee meet with the Investment Managers on a quarterly basis to review portfolio performance, discuss market dynamics and set any specific short term objectives within the overall long term strategy of the Scheme. Additionally, one of these meetings is attended by the Scheme Actuary in order to ensure a consistency of understanding and approach across all of the Schemes professional advisors.

3. Investment Objectives

The primary objectives of the Plan Trustee with respect to investment issues are as follows:

- To meet the benefits defined in the Plan Rules, in respect of Plan members and their beneficiaries, as and when they fall due.
- To maximise the return achieved on Plan assets through maintaining a balanced and prudent investment exposure, subject to an acceptable level of risk with reference to the liabilities held.

The Trustee is aware that by focussing on long-term expected returns, the assets of the Plan will be subject to short-term fluctuations, which may affect the funding position of the Plan from time to time.

The Trustee understands the importance of diversification and as such the Trustees requires the Investment Manager to ensure that assets are properly diversified. The Trustee requires its Investment Managers to invest in a mixed pool of assets across a wide range of investment instruments including equities, bonds and property. The Investment Managers have discretion to determine the investments held, subject to objectives and guidelines as agreed with the Trustee from time to time.

4. Performance Measurement

A return on investments is required which, over the long term, is expected to be consistent with the goals of the Trustee.

The Investment Manager has been mandated to invest actively in order to outperform the relevant market indices.

In order to monitor the performance of the Investment Manager the Trustee monitors the performance of the investment portfolio against recognised market benchmarks. This performance monitoring forms part of the Trustee regular investment review process.

5. Risk Measurement and Management

The Trustee recognises that any investment strategy comes with an attaching investment risk. The strategy to be followed is considered to offer a strong probability of meeting the stated objectives. Within the strategy the Trustee has specifically considered the following risks:

a) Cash-flow Risk (liquidity)

The Trustee recognises the need to meet benefit outgo and accordingly hold assets which can be realised as cash.

b) Mismatching Risk

At any one time, the nature and term of the Plan's assets may differ from the nature and term of its liabilities. Consequently, there is a risk that the Plan's ongoing funding position deteriorates following a change in market conditions in one investment sector compared to another.

c) Manager Risk

The Plan's assets are invested in collectives operated by the investment managers. The Trustee will address this risk by regularly monitoring the performance achieved by the investment managers against benchmark returns for the relevant funds and the deviation of the actual returns against that benchmark.

d) Market Risk

This relates to the risk that investment market returns fail to match those assumed under the Scheme's funding plans. In this instance, any shortfall in Plan funds would have to be made up through increased sponsor contributions.

e) Diversification Risk

The Trustee is aware of the risks associated with insufficient diversification of investments over the broad asset classes and aim to minimise and control the risk of one particular investment underperforming by investing in a wide range of broad asset classes and a range of holdings within each asset class.

f) Scheme Sponsor Risk

The sponsor's covenant and its willingness to financially support the Plan are key to meeting the funding policy. The Trustee has resolved to actively assess the sponsor's covenant from time to time to make sure that this is sufficient with regards to the Trustee's funding policy and the level of investment risk considered acceptable.

g) Custodian Risk

The Trustee authorises the day-to-day management and movement of the Plan's assets between the investment manager and bank account.

h) Political Risk

The Trustee recognises that there are risks inherent with investments in any one geographic market leading to the potential risk on an adverse influence on investment values arising from political intervention.

6. Investments to be held

The Trustee invests the assets of the Plan in a series of holdings. These have been determined by first considering the appropriate asset class and then determining a manager within that asset class.

The current holdings, at June 2020, by asset class are shown below:

Asset Class	Allocation
Equity Funds	45%
Absolute Return / Cash Funds	10%
Fixed Interest Funds	45%

The Trustee has appointed an Investment Managers with discretion on selecting the underlying investments of the Scheme. The Trustee has set broad guidelines on the investments and has made the Investment Manager aware of these requirements.

Following a review of the Scheme, its member profile and investment needs, the Trustee has set the Investment Managers the following investment guidelines.

Asset Class	Strategic Weight	Range
Equity / Risk Assets	50%	+/- 10%
Fixed Income / Matching Assets	50%	+/- 10%

In addition to the long term assets of the Plan detailed above, the Trustee also controls:

- A bank account which is used for the day to day management of member payments and contributions.
- The Plan Trustee also manages the assets of members additional voluntary contributions.

7. Manager Selection

The Trustee as taken advice as to the investment managers to be selected to follow the asset allocations and achieve the investment objective.

The criteria considered to select the investment managers included:

- Investment objectives of the fund.
- Investment style and degree of active management.
- Diversity of investments by geography and holdings.
- Spread and duration of underlying investments.
- Investment grading and inflation exposure.
- Use of derivatives.
- Past performance.
- Manager reputation.
- Level of fees.
- Currency exposure and degree of hedging risks.
- ESG (Ethical, Social and Governance) and/or SRI (Socially Responsible Investments) policies.
- Shareholder engagement.

8. Manager review process and duration of arrangement

The Trustee has a formal review process, this includes the appraisal of the Investment Manager against agreed objectives and benchmarks, a review of alternative providers and fee rates, and a consideration of the managers investment process. This review will lead to either the reappointment of the Investment Manager, or the open tendering of the investment manager position.

As part of the ongoing review the Trustee reviews the agreed fee schedule against market peers to ensure the Schemes members are obtaining value for money.

The Trustee has appointed the Investment Manager on an opened ended contract that may be ended at any time.

9. Approach to Social Responsible Investments

The Trustee believe that certain ESG factors can have an impact on the financial performance. In order to reduce investment risk and enhance portfolio returns over the investment time horizon, The Trustee expects their Investment Manager to take this statement into account for the selection, retention and realization of the Scheme's investments.

10. Shareholder Engagement

The Trustees have considered the Institutional Shareholders' Committee code and their policy is to adopt the code and delegate responsibility for implementation to the Investment Manager.

The Trustee considers the Investment Managers existing shareholder engagement policy to be appropriate for the current objectives of the Scheme. Should the Trustees wish to pursue a specific shareholder engagement policy in regards to a specific company, industry or broad governance item this will be communicated to the Investment Manager.

In order to monitor the shareholder engagement actions of the Investment Manager the Trustee requires them to provide an annual disclosure of their shareholder engagement activities. The

Trustee will also receive details of the Investment Manager's voting position on resolutions proposed at the Annual and Extraordinary General Meetings of companies in which it invests.

11. Choosing and Managing Investments

a) Delegation

The responsibility for the exact holdings within a fund and buying and selling investments has been delegated to each investment manager selected by the Trustee.

b) Restrictions on Investments and Concentration

The Investment Manager may not invest in any securities issued by the sponsor, property leased to the sponsor or any securities issued by the investment manager.

The Trustee has agreed that no more than 10% of the market value of the portfolio can be held in any individual security and that no more than 25% of the portfolio may be invested in assets which are not readily realisable for cash.

c) Use of Derivatives

As the assets of the Plan are held in collectives, the Trustee accepts the investment manager's own policy on the use of derivatives within the funds chosen. The Trustee has carefully considered such policies and is satisfied this corresponds with their responsibilities to the members.

d) Realisation of the Assets

The Trustee will ensure that the Investment Manager is made aware of the cashflow requirements of the Scheme. The Investment Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realizable to meet any disinvestments required by the Trustee to meet these cashflows.

The Trustee is satisfied that the Plan has sufficient assets which can be sold easily at market value, should the need arise.

In addition the Plan has a separate cash management plan which is used to determine what funds are held in the Trustee bank account what funds are transferred to long term assets.

e) Performance Management

The Trustee has not set an absolute performance target for the assets of the Plan. Instead a portfolio of investments has been selected related to the liabilities and circumstances of the Plan. Each of the underlying funds that the Trustee has, on advice, selected has a benchmark target.

f) Ongoing Advice

The Trustee has concluded that investment advice should be sought from as required rather than having an ongoing investment adviser.

g) Corporate Governance

The investment manager is responsible for the administration of the funds, including custody. The Trustee is satisfied with the security of these arrangements.

The Trustee does not have a specific policy in relation to the exercising of rights (including voting rights) for their investments. The Trustee is satisfied with the strategy statements issued by the investment manager and that these correspond with their responsibilities to the beneficiaries.

h) Periodic Reviews

Compliance with this statement will be reviewed no less frequently than annually. The statement itself will be fully reviewed no less frequently than every three years in conjunction with formal Actuarial Valuations or on a significant change in the Scheme's circumstances, the Trustee's perception of the Employer's covenant or UK pension legislation.

i) Non-Financial Considerations

Other than the ESG factors noted in section 9 above the Trustee currently does not require the Investment Manager to take into account non-financial considerations in the selection, retention and realization of investments. Should the Trustees believe it in the interest of its members to consider other specific non-financial matters it will make the Investment Manager aware of these.

Signed for and on behalf of the Faculty of Advocates Retirement and Death Benefits Plan

Geoff J. Clarke Q.C.

Date 28 September 2020

Date