Johnstons of Elgin Pension Scheme
Statement of the Trustees' Investment Principles

1. Background

This investment statement sets down the principles governing the Trustees' decisions about investment for the Johnstons of Elgin Pension Scheme ("the Scheme") to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act (2004) and subsequent regulations. Before preparing this Statement the Trustees have consulted with the Sponsoring Employer, James Johnston & Company of Elgin Limited, and obtained and considered written professional advice from their actuaries and consultants - Mercer. The Trustees undertake to review this statement at least every three years.

The Trustees investment responsibilities are governed by the Scheme's Trust Deed and Rules: a copy of the relevant clause, of which the Statement takes full regard, is available on request.

2. Investment Objectives and Risk

2.1 Investments Objectives

The main aims underlying the Trustees' investment policies are:-

- To ensure that sufficient assets are available to pay members' benefits as and when they arise;

- To pay regard to the employer's interests on the size and incidence of employer's contribution payments;

To achieve their aims, the Trustees have put in place the strategic asset allocation framework shown in the attached appendix.

2.2 The Trustees' Policy with regard to Risk

The main risk which the Trustees seek to guard against is that the aims and objectives stated above in 2.1 will not be met. In addition, there are various other risks to which the Scheme is exposed. The Trustees review these risks as part of a formal analysis of the Scheme's assets and liabilities. This analysis enables the Trustees to assess the level of risk within the Scheme's asset portfolio relative to the Scheme's liabilities. It also allows the Trustees to implement the most appropriate strategy which balances the need to meet the investment objectives and risks the Scheme faces. The Trustees have considered the following specific areas of risk:

- The risk that a mismatch between the Scheme's assets and liabilities, will lead to a deterioration of the Scheme's funding level. The Trustees aim to control this risk by periodically reviewing the appropriateness of the Scheme's investment strategy. The Trustees recognise that even if the Scheme's assets were to be fully invested in matching assets there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities due to the mismatch in duration between matching assets and actuarial liabilities.

- The risk that the day to day management of the assets will not achieve the rate of return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes and strategies, the Trustees believe that this risk is outweighed by the potential gains from successful active management (e.g. the Diversified Growth Fund). Likewise, passive management will be used for one of a number of reasons, namely to control fees and to reduce risk when investing in markets deemed relatively efficient where the scope for added value is more limited (i.e. the global equities and UK gilts and corporate bonds).

- The Trustees also aim to control the risk associated with active management by applying a prudent manager appointment process and obtaining regular ongoing monitoring of manager performance.

- The risk that the realisation of investments to meet benefit outgo is made at a time when prices are depressed, or when the assets cannot easily be sold. The Trustees aim to control this risk by managing the Scheme's cash flow requirements carefully over the short term and by limiting the Scheme's exposure to illiquid assets.

2.3 Investment Strategy

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in this Statement. Following a review in 2015 the Trustees agreed the following investment arrangements:

- The appointment of BlackRock Investment Management (BlackRock) to manage the Scheme's assets;

- The majority of the assets of the Scheme are invested in diversified portfolios of assets with predominant holdings in growth assets (equities and a diversified growth fund).

- Additional assets are held in UK corporate bond, fixed interest gilts and index linked gilts funds to provide some matching against movements in the Scheme's liabilities.

The Trustees' carried out subsequent reviews of the Scheme's investment strategy in 2018, and again in 2019 following completion of the 2019 actuarial valuation, and have taken additional steps to de-risk the Scheme's investment strategy following improvements in funding.

The investment strategy will be reviewed following formal actuarial valuations and in response to any material changes to any aspect of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Company which the Trustees judge to have a bearing on the investment strategy.

3. Day to Day Management of the assets

3.1 Main Assets

The Trustees employ an investment manager who has day-to-day responsibility for the investment of the Scheme's assets. This manager is regulated by the Financial Conduct Authority ("FCA") and - as required by the Financial Services and Markets Act 2000 - the Trustees have entered into a signed agreement with the investment manager which complies in all respects with this Statement. The agreement provides important protection for the Scheme and for the Trustees and set out the terms on which the assets are to be managed; the investment briefs, guidelines and restrictions under which the investment manager works. All investments are through pooled funds operated by the appointed manager. A separate institution (Bank of New York Mellon) has been appointed to act as custodian for the underlying assets.

The attached appendix sets out the details of each fund benchmark, performance target and fees.

3.2 The Trustees' Policy with regard to Diversification

The Trustees believe that the asset allocation policy in place will provide an adequately diversified distribution of assets. The current agreement with the investment manager also has regard to the need to diversify within each class of assets as well as in terms of stock selection.

The agreement with the investment manager includes a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

3.3 Buying and Selling Investments

The Trustees have delegated the responsibility for day-to-day buying and selling of investments to the investment manager who has undertaken not to exceed the Trustees' investment powers as set out in the Trust Deed. As already mentioned, the day-to-day activities which the investment manager carries out for the Trustees are governed by the agreement between the manager and the Trustees, which is reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

3.4 Environmental, Social and Corporate Governance (ESG)

ESG, Stewardship, and Climate Change
The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments. This includes undertaking engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring of the manger's actions and engagement on ESG and voting is undertaken on a semi-annual basis through reports provided by our investment consultant and the investment manager as well as during any meetings we hold with the investment manager.

Investment Restrictions
The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

Member Views
The Trustees do not explicitly consult members when making investment decisions including the selection, retention and realisation of investments, but regularly update members via newsletters and by making a copy of the Statement of Investment Principles available on request.

3.5 Other Assets

Assets in respect of the member's additional voluntary contributions are held in separate policies in the Trustees' name with a range of providers.

4. Investment Managers monitoring and engagement

4.1 Aligning Manager Appointments with Investment Strategy

The investment manager is appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset classes for which the Trustees have appointed them.

The Trustees look to their investment consultant (Mercer) for their forward looking assessment of the manager's ability to meet the stated performance objective for each mandate over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees. These ratings are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustees will review the manager's appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

Some appointments are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance or significant outperformance). The Trustees will review the appropriateness of using actively managed funds (on an asset class basis) as part of each strategic review.

As the Trustees invest in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

4.2 Encouraging long-termism and consideration of ESG issues:

The Trustees will also consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustees meet with the investment manager as and when it is deemed necessary and can challenge decisions made including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best performance over the medium to long term.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustees are dissatisfied, then the manager will be replaced.

4.3 Monitoring manager appointments

The Trustees receive investment performance reports from the investment consultant on a six-monthly basis, which present performance information over 6 months, 1 year and 3 year periods. The Trustees review absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the managers stated target performance (over the relevant time period) on a net of fees basis. The Trustees' focus is primarily on long term performance but short term performance is also reviewed.

If the manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees instead of terminating the appointment.

4.4 Monitoring portfolio turnover costs

The Trustees do not currently monitor portfolio turnover costs.

The Trustees receive MiFID II reporting from their investment manager but do not analyse the information. However, the Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

4.5 Manager Turnover

The Trustees are long term investors and are not looking to change investment arrangements on a frequent basis. There is therefore no set duration for manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment is reviewed and the Trustees decide to terminate for a more suitable appointment.

5. Compliance with this Statement

We, the Trustees, our investment manager and our consultants, (all of whom have been appointed by the Trustees), each have duties to perform to ensure compliance with this statement. These are:-

The Trustees, will review and amend this Statement at least every three years and in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the sponsoring Company which they judge to have a bearing on the stated Investment Policy. Any such review will again be based on the written, expert investment advice of Mercer and will be in consultation with the Company.

BlackRock Investment Management (BlackRock), our investment manager, will prepare quarterly reports to the Trustees including:-

- Valuation of all investments held for the Scheme.
- Records of all transactions, together with a cash reconciliation.
- A review of recent transactions undertaken on behalf of the Scheme, together with a summary of their current stated policy.

BlackRock will also notify us in advance of any new investment categories in which they are proposing to invest.

Mercer, our consultant, will provide the advice needed to allow us to review and update this statement regularly.

Signed Amanda C Flett .... (Trustee)

Signed .... (Trustee)

Date 11\09\2020

Date of Amendments:

First Amendment: November 2004
Second Amendment: December 2004
Third Amendment: June 2006
Fourth Amendment: June 2008
Fifth Amendment: May 2011
Sixth Amendment: February 2016
Seventh Amendment: November 2016
Eighth Amendment: October 2017
Ninth Amendment: June 2018
Tenth Amendment: September 2019
Eleventh Amendment: January 2020
Twelfth Amendment: August 2020

Appendix: Investment Strategy for the Johnstons of Elgin Pension Scheme

Investment Strategy

The Trustees have determined, based on expert advice from Mercer, a benchmark mix of asset types and ranges within which the investment manager may operate; these guidelines are set out below. The Trustees believe that the resulting asset mix is currently appropriate for controlling the risks identified in 2.2. The Trustees employ BlackRock Investment Management as their investment manager. Investment is made via unitised pooled index tracking funds (with the exception of the Dynamic Diversified Growth Fund which is actively managed across a number of different asset classes) and the Trustees are satisfied that the spread of assets by type and spread of individual securities within each type provides adequate diversification of investments.

The Trustees have targeted an investment strategy as follows:

Asset Class	Benchmark Weight %	Tolerance Ranges %	Active/Passive	Benchmark Index
Global Equities	**15.0**	**+/- 1.5**	Passive	FTSE All World Developed Index
Diversified Growth	**30.0**	**+/- 3.0**	Active	UK 3-month LIBOR + 3% p.a.
Over 5 Year Index Linked Gilts	**15.0**	**+/- 1.5**	Passive	FTSE UK Gilts Index-Linked Over 5 Year Index
Over 15 Year Corporate Bonds	**25.0**	**+/- 2.5**	Passive	iBoxx Sterling Non Gilts Over 15 Years Index
Over 15 Year Fixed Interest Gilts	**15.0**	**+/- 1.5**	Passive	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
Total Fund	**100.0**	-	-	-

The overall split between the funds will be monitored monthly by the manager. Should the tolerance ranges be breached, the manager will rebalance the Scheme's asset allocation back within the range on the next available dealing date following review.

Cashflows will be directed/sourced in line with the benchmark weights set out above.

Individual Mandates – Fees and Objectives

BlackRock Aquila Life World Index Fund

Objective: The investment objective of the fund is to achieve a total rate of return equal to the FTSE All World Developed Index within an acceptable tolerance range.

Fees: Investment Management Fees: 0.10% p.a.

BlackRock Aquila Life Over 5 Year Index-Linked Fund

Objective: The investment objective of the fund is to achieve a total rate of return equal to the FTSE UK Over 5 Year Index Index-Linked Gilts Index within an acceptable tolerance range.

Fees: Investment Management Fees: 0.08% p.a. on the first £15 million;

0.04% p.a. on the next £85 million; and
0.03% p.a. thereafter.

BlackRock Aquila Life Over 15 Year Corporate Bond Index Fund

Objective: The investment objective of the fund is to achieve a total rate of return equal to the iBoxx Sterling Non Gilts Over 15 Years Index within an acceptable tolerance range.

Fees: Investment Management Fees: 0.12% p.a. on the first £15 million;
0.075% p.a. on the next £85 million; and
0.06% p.a. thereafter.

BlackRock Dynamic Diversified Growth Fund

Objective: The investment objective of the fund is to deliver long term consistent capital growth with low volatility and a focus on downside protection. The explicit fund target is to deliver a return of UK 3-month LIBOR + 3.0% (net of fees) over rolling 3 year periods.

Fees: Investment Management Fees: 0.55% p.a. on the first £50m
0.50% p.a. thereafter

BlackRock Aquila Life Over 15 Years UK Gilt Index Fund

Objective: The investment objective of the fund is to achieve a total rate of return equal to the FTSE Actuaries UK Conventional Gilts Over 15 Years Index within an acceptable tolerance range.

Fees: Investment Management Fees: 0.08% p.a. on the first £15 million;
0.04% p.a. on the next £85 million; and
0.03% p.a. thereafter.