Imerys UK Pension Scheme ("the Scheme")
Statement of Investment Principles

Investment Objective

Imerys UK Pension Fund Trustees Limited (the Trustees) invests the Scheme's assets with the aim of ensuring that the benefits promised to members are provided. As a starting point in setting investment strategy, the Trustees considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. After taking advice, the asset allocation strategy they have selected is designed to achieve a higher return than this lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities. The Scheme's sponsoring employer, Imerys Minerals Limited ("IML"), has been consulted with on the overall objective which is as follows:

To set an investment strategy which targets an expected return in excess of the discount rate used in the latest actuarial valuation (net of fees).

In choosing this overall objective, the Trustees recognise that investment risk is being taken relative to the lowest risk asset allocation and, when setting the discount rate used in the latest actuarial valuation, have taken into account the likely ability of IML to make additional contributions in the event of investment returns not meeting those anticipated.

The remainder of this statement sets out how the Trustees aim to meet the objective above. In doing so the statement considers the Trustees' policy on:

- Strategy
- Risk Measurement and Management
- Implementation
- Governance

STRATEGY

The investment strategy is determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position, the liability and cashflow profile and the employer's covenant. The Trustees' policy is to assume that "return seeking assets", such as equities will outperform the liabilities over the long term and assumes that active fund management can be expected to add value. However, the Trustees recognise the potential volatility in returns from return seeking assets, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the asset allocation strategy the Trustees consider written advice from their investment advisers and, in doing so, address the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.
- The ability of IML to make up any deficit if required.

The asset allocation strategy chosen to meet the Investment Objective of the Scheme is set out in the table below.

Asset Class	Allocation
Global Equity (unconstrained)	30%
Property	5%
Diversified Growth Funds	15%
Total Growth assets	**50%**
Geared LDI	15%
Liquidity Fund	10%
Absolute Return Bonds	25%
Total Matching assets	**50%**
Total	**100%**

Notes:
(1) Details of the Fund managers employed by the Scheme can be found in the Additional Fund Manager Information document.

The Trustees will review the actual asset allocation versus benchmark on a regular basis. To the extent there is divergence from the benchmark the Trustees will discuss with their investment advisers whether rebalancing of the strategy is required.

The geared Liability Driven Investments ("LDI") assets are designed to reduce funding level volatility from changes in interest rates and inflation via a range of assets and derivatives such as gilts and swaps. The LDI manager is responsible for ensuring that sufficient liquidity exists to support the geared LDI and accordingly has recourse to the assets held in the Liquidity Fund.

RISK MEASUREMENT AND MANAGEMENT

The Trustees maintain a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial valuation.

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers consider this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees and their advisers manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their investment advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification") when moving away from a fully cashflow matched position. The Trustees and their advisers consider this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers consider this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers

are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks have been modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustees' policy is to monitor, where possible, these risks quarterly.

The Trustees receive quarterly reports showing:

- Estimated funding level versus the Scheme specific funding objective.
- Performance versus the Scheme investment objective as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets as measured by an independent performance measurer.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

IMPLEMENTATION

The Trustees will select an investment adviser. The investment adviser will operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. It will be remunerated on a basis which aims to ensure that cost-effective, independent advice is received. From time to time the Trustees may take advice from another investment adviser.

The current investment adviser, fund manager structure and investment objectives for each fund manager ("mandates") can be found in the Additional Investment Adviser and Fund Manager Information Document.

The Trustees have both direct investments in pooled funds and investments that have been delegated under a written contract. The Trustees expect the fund managers that have been delegated to and the fund managers underlying the pooled funds to take responsibility for the following:

- Choice and realisation of investments within the investment mandate given.
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

GOVERNANCE

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have also considered all potential conflicts of interest that may arise under the arrangements in place. This includes conflicts involving the fund managers, the investment consultant and those that arise within the Trustee board. The Trustees have established the following decision making structure:

Trustees • Monitor actual returns versus Scheme investment objective. • Set structures and processes for carrying out their role. • Select and monitor the investment strategy. • Select and monitor direct investments (see below). • Select and monitor investment advisers and fund managers. • Determine structure for implementing investment strategy. • Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
Investment Adviser • Advise the Trustees on the investment areas set out above. • Advise on all aspects of the investment of the Scheme assets, including implementation. • Advise on this statement. • Provide required training. • Advise Trustees on suitability of the manager's benchmarks. • Report on asset returns against objectives. • Advise on fee levels for fund managers. • Advise on Additional Voluntary Contributions (AVCs).
Fund Managers • Operate within the terms of their written contracts and give regard to this statement. • Select individual investments with regard to their suitability and diversification. • Report on asset returns against objectives.
Scheme Actuary • Perform the triennial (or more frequently as required) valuations and advise on the appropriate contribution levels. • Comment on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations. • Inform the Trustees of any changes to contribution levels and funding level. • Liaise with the Investment Adviser on the suitability of the Scheme's investment strategy on behest of the Trustees.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review their direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees are required to take written advice covering specific points listed in the 2005 regulations which are detailed below.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' will ensure any investment adviser appointed to advise them has the knowledge and experience required under the Pensions Act 1995.

The Trustees' policy on assets delegated to fund managers is to expect them to manage the assets under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The fund managers are remunerated on an ad valorem basis. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

The Trustee's agreement with the fund managers is a tri-partite agreement, between the Trustee, the managers and the custodian of the respective pooled funds in which the Scheme is invested. The custodian is responsible for the safekeeping of the assets held and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees will review this Statement of Investment Principles at least every three years and immediately following any significant change in investment strategy. The Trustees will take investment advice and consult with IML over any changes to it.

Signed on behalf of Imerys UK Pension Fund Trustees Limited

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Director	Director

Effective Date: 6th December 2013

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Imerys UK Pension Scheme

Additional Investment Adviser and Fund Manager Information

Investment Advisers

The Trustees have appointed Aon Hewitt Limited to be its investment adviser. Aon Hewitt Limited is paid on a fixed fee basis for the majority of work it undertakes for the Scheme. Some one-off projects fall outside the annual fee and the fees for these are negotiated separately.

Fund Managers

The table below lists the fund managers appointed to manage each of the asset classes of the Schemes investment strategy as detailed in the Statement of Investment Principles:

Asset Class	Fund Manager	Allocation
Global Equity (unconstrained)	MFS	10%
	Schroders	10%
	Veritas	10%
Property	Aviva	5%
Diversified Growth Fund	Newton	7.5%
	Standard Life	7.5%
Total Growth assets		**50%**
Geared LDI	Schroders	15%
Liquidity Fund	BlackRock	10%
Absolute Return Bonds	Insight	25%
Total Matching assets		**50%**
Total		**100%**

The fund manager structure and investment objectives for each fund manager ("mandates") are as follows:

Liability Driven Investments

Schroder Investment Management (Schroders)

Invests in a range of fixed interest and inflation linked instruments, including, but not limited to: swaps, gilts (fixed and index linked), repurchase agreements and total return swaps. The mandate is used to reduce the variability of the funding level and reduce funding risk by better matching the Scheme's liabilities (up to the value of the Scheme assets). The mandate is segregated and gearing is allowed.

A liability proxy has been determined using the cashflow information provided by the Scheme's advisers together with the actuarial valuation assumptions. A hedge benchmark has been created by taking a pro-rata proportion of the fixed and index linked cashflows in the liability proxy. Both are valued by projecting the inflation linked cashflows using swap market inflation expectations and discounting using swap market interest rates plus a margin to meet the technical provisions valuation.

The liability proxy and hedge benchmark used by Schroders is detailed below:

	Fixed Interest	**Index Linked**	
	Interest Hedge	**Interest Hedge**	**Inflation Hedge**
Liability Proxy	100%	100%	100%
Revised hedge proportion	79%	79%	79%

BlackRock International (BlackRock)

Invests primarily in a portfolio of money market instruments such as commercial papers, certificates of deposits and time deposits.
Objective: To maximise current income consistent with the preservation of principal and liquidity through the maintenance of high quality short term 'money market' instruments. Benchmark is 7 day LIBID.

Insight Investment Management (Insight)

Invests mainly in liquid/near cash assets with holdings in a diverse range of fixed income securities and currencies, including derivatives, in order to outperform the benchmark.
Objective: To outperform 3 Month Sterling LIBID by 2% p.a. (before deduction of fees).

Return seeking assets

MFS International (UK) Limited (MFS)

Invests in global equities.
MFS do not have a formal objective as the product is unconstrained. However, for performance purposes MFS quote their objective to be to outperform the MSCI World Index by 3.0% per annum (before deduction of fees) over a full market cycle.

Schroder Investment Management (Schroders)

Invests in global equities.
Schroders do not have a formal objective as the product is unconstrained. However, for performance purposes Schroders quote their objective to be to outperform the MSCI World Index by 3.0-4.0% per annum (before deduction of fees) over the long term.

Veritas Asset Management (UK) Limited (Veritas)

Invests in global equities.
Veritas do not have a formal objective as the product is unconstrained. For performance measurement the objective is to outperform CPI by 6-10% per annum (after deduction of fees) over the medium term (3-5 years).

Aviva Fund Management (Aviva)

Invests in underlying UK and European Property pooled funds.
Objective: To outperform the HSBC/AREF All Balanced Funds Index by 0.75% per annum (before deduction of fees) over a rolling three year period.

Newton Investment management Limited (Newton)

Invests in a range of equity, bonds and alternative asset classes
Objective: To outperform 1 month LIBOR by 4% per annum (before deduction of fees) over a 3-5 year period.

Standard Life Investments (Standard Life)

Invests in a diversified set of strategies which include long and short positions with the aim of achieving a positive return in most market conditions
Objective: To outperform 6 month LIBOR by 5% per annum (before deduction of fees) over a rolling three year period.

All indices used are total return indices and thus include the reinvestment of any income such as dividends or coupon payments.

[Date]