

Coats Pension Plan

Statement of Investment Principles

1. INTRODUCTION

The Trustee of the Coats Pension Plan, Coats Pensions Trustee Limited, has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the 1995 Pensions Act (“the Act”). As required under the Act, the Trustee has obtained written advice from Mercer Investment Consulting. In preparing this Statement, the Trustee has also consulted the Company, Coats Holdings Ltd, as Sponsor of the Plan.

The format of this Statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustee believes, however, that it incorporates all the requirements of the Act.

2. DECISION-MAKING STRUCTURE

Overall investment policy falls into two parts. The strategic management of the assets, including setting the asset allocation guidelines, is fundamentally the responsibility of the Trustee acting on advice from their investment consultant, Mercer Investment Consulting, and is driven by their investment objective as set out in Section 3 below. The remaining elements of policy, including investment restrictions and the performance objectives, are reflected in the mandates and agreements that have been put in place with the investment managers. The day to day management of the assets is delegated to professional investment managers and is described in Section 4.

3. STRATEGIC MANAGEMENT

3.1 Investment Objective

The Trustee’s overall investment policy is guided by the following objectives/guidelines:

- To obtain a return on the Plan’s assets which matches, or exceeds the Actuary’s assumptions.
- To avoid undue volatility in the pension cost in view of both the significance of pension costs to the Company and the maturity of the fund.
- To invest a meaningful proportion of the Plan in assets that provide protection against prolonged recessionary conditions.



- To avoid any strategy that carries with it the risk of a significant cash injection.

The emphasis of these objectives is to confer a high degree of security for the payment of benefits to Plan members.

3.2 Investment Risk

In determining their investment policy, the Trustee has considered a number of investment risks to which the Plan is exposed. In particular, the Trustee has considered the Plan's funding level sensitivity to:

- Interest rates
- Inflation
- Equity markets

The Trustee has also considered the sponsor covenant risk, and in particular the risk of having a shortfall of assets relative to the liabilities in the event of a significant deterioration in the strength of the Company and associated companies. The Trustee engages in dialogue with the Company as part of their risk management in order to keep informed on the strength of the sponsor covenant.

In addition, when considering the implementation of the investment policy, the Trustee has considered the risk associated with equity market concentration, and credit risk.

The Trustee has implemented the following measures to manage the risk associated with the investments:

- The Trustee has determined an investment policy with an expected level annual volatility in the funding level that is within a tolerance range agreed with the Company;
- To diversify the risks that the Plan faces, the Trustee invests in multiple asset types including: equities, bonds, property and alternative asset classes such as hedge funds and active currency;
- The Plan's equity benchmark has been set to contain a wide range of assets suitable for a pension scheme and to remove a proportion of the currency risk associated with investing in non-sterling markets;
- The assets are divided between a number of active investment managers and a passive manager. This reduces the risk associated with one manager having responsibility for all of the Plan's assets;

- With the exception of the passively managed portfolio, the managers have some discretion to move away from their benchmark positions to seek to enhance the return relative to their benchmarks, but constraints have been set to limit the extent of discretion given to each manager.

3.3 Investment Strategy

The Trustee's current investment strategy is set out in the table below:

Allocation	%
Core Bonds	63
Gilts and Sterling Credit	60
HLV Property	3
Enhanced Yield	9
Hedge Funds	3
Opportunistic Bonds	3
Active Currency	3
Equities (UK and overseas)	28
Total	100

Using capital market models based upon assumptions derived from current market conditions and historic market return patterns, the Trustee has determined an expected return and expected level of annual volatility in return based upon the Plan's investment strategy. Details are summarised in Schedule A of the Plan's Investment Implementation Policy Document ("IIPD").

The Trustee believes that the resulting asset mix is currently appropriate for meeting the objectives set out in 3.1 and for controlling the risks identified in 3.2.

Subject to identifying appropriate vehicles the Trustee has decided to increase the allocation to HLV property, funding any investment from core bonds.

4. DAY TO DAY MANAGEMENT OF THE ASSETS

4.1 Main Assets

The Trustee invests the main assets of the Fund in a specialist structure. Investment is via a mixture of pooled funds and direct holdings, and a mixture of active and passive management. The Trustee is satisfied that the spread of assets by type and the spread of individual securities within each type provides adequate diversification of investments for risk purposes. The manager structure is summarised in the IIPD – Schedule A.

4.2 Cashflow Management and Rebalancing

The Trustee has adopted a policy to efficiently manage cashflows and keep the Plan's assets broadly in line with the benchmark allocation.

The cashflow management and rebalancing policy is included in the IIPD – schedule B.

4.3 Investment Benchmark, Guidelines, Restrictions and Fees

The investment benchmark and guidelines for each manager and the portfolio management restrictions for each of the mandates are summarised in the IIPD - schedules A and D respectively. Details of the managers' fees are also included in the IIPD – schedule C.

4.4 Socially Responsible Investment and Corporate Governance

The Trustee has instructed the Plan's investment managers to consider social, environmental and ethical matters to the extent that they are relevant in assessing the future prospects of a specific investment.

The Trustee allows managers to exercise discretion to vote as they think fit, but in doing so to reflect the best interests of the Plan.

The Trustee requires managers to report on their voting on shares held in respect of the Plan where they have not voted in accordance with the Combined Code (or equivalent in respect of non-UK holdings).

4.5 Additional Assets

Assets in respect of members' additional voluntary contributions (AVCs) are set out in the IIPD – schedule E.

4.6 Realisation of Investments

Realisation of investments is administered as part of the cashflow management programme (see Schedule B of the IIPD)

4.7 Monitoring the Plan's Investments and Investment Managers

The Trustee monitors the progress of the Plan's funding level against the expected development, and monitor the volatility in the funding to ensure that it is within the tolerance range agreed with the Company.

Performance of the investment managers is measured quarterly by Mellon Analytical Solutions. In addition, the Trustee meets each investment manager to discuss their performance, activity and wider issues. The Trustee also retains Mercer Investment Consulting to provide help in monitoring the investment managers, both in the form of written reports and attendance at meetings.

5. COMPLIANCE WITH THIS STATEMENT

The Trustee will monitor compliance with this Statement annually, or more frequently if necessary. The Trustee undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

6. REVIEW OF THIS STATEMENT

The Trustee will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which they judge to have a bearing on the stated investment policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation or other actuarial advice. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Date of Amendments

<i>First Amendment:</i>	<i>July 2002</i>
<i>Second Amendment:</i>	<i>October 2003</i>
<i>Third amendment:</i>	<i>November 2004</i>
<i>Fourth amendment:</i>	<i>February 2005</i>
<i>Fifth amendment:</i>	<i>February 2006</i>

Coats Pension Plan

Investment Implementation Policy

This document contains a series of schedules that set out the detailed day to day implementation of the investment policy of the Coats Pension Plan (the Plan). It should be read in conjunction with the Plan's Statement of Investment Principles, which outlines the broader framework of the principles governing decisions about investment of the Plan's assets.

Schedules:

Schedule A	Fund Strategy and Manager Benchmarks.
Schedule B	Cashflow Management and Rebalancing.
Schedule C	Managers' fee arrangements.
Schedule D	Manager Portfolio Restrictions.
Schedule E	Details of AVC arrangements and other assets.

This document will be reviewed and maintained by the Trustee.

Coats Pension Plan

First Issued: October 2003.

1st Amendment: November 2004.

2nd Amendment: February 2005.

3rd Amendment: August 2005.

4th Amendment: May 2006.

SCHEDULE A – Manager and Fund Benchmarks

Total Fund

ASSET CLASS	Hermes (passive) %	Newton %	Capital %	DeAM %	MLIM %	SLI %	FRM %	GSAM Bonds %	GSAM Currency %	RCM* %	Total %	Range %
Equity	6.0	15.0	7.0								28.0	26-30
UK Equities	6.0	9.5									15.5	
Overseas Equities*		5.5									5.5	
US		1.0									1.0	
Europe (ex UK)		2.5									2.5	
Japan		1.0									1.0	
Pacific (ex Japan)		0.5									0.5	
Emerging Markets		0.5									0.5	
Global Equities*			7.0								7.0	
Core Bonds plus HLV Property	0.0	0.0	0.0	30.0	30.0	3.0	0.0	0.0	0.0	0.0	63.0	61-65
Corporates				7.5	22.5						30.0	
Long gilts (over 15 years)				7.5	7.5						15.0	
ILG				15.0							15.0	
HLV Property						3.0					3.0	
Enhanced Yield and Currency	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0	2.0	1.0	9.0	7-11
Opportunistic Bonds								3.0			3.0	
Fund of Hedge Fund							3.0				3.0	
UK equities (Large Cap)									2.0	1.0	3.0	
Manager (% Total Fund)	6.0	15.0	7.0	30.0	30.0	3.0	3.0	3.0	2.0	1.0	100.0	100.0

*50% of the Plan's overseas equity benchmark is hedged back into sterling. The Plan has appointed Record Currency Management (RCM) to manage the currency hedge, as part of their mandate.

The expected return is 2.5% over least risk portfolio[†] with an annual volatility of 6.3% relative to movements in the liabilities. The expected return makes an allowance for not all managers achieving their individual target level of performance.

[†]Least risk portfolio representative of Plan liabilities, approximately 24% fixed interest Gilts, 76% index-linked Gilts.

Manager Mandates

Hermes

(6.0% of assets)

	B' mark %	Benchmark Index
UK Equities	100.0	FTSE All Share Index
Total	100.0	

The performance objective is to match the return on the benchmark.

Newton

(15.0% of assets)

	B' mark %	Guideline Ranges %	Benchmark Index
UK Equities	63.0	85-100 (combined equity)	FTSE All Share Index (capped at 5%)
Overseas Equities	37.0		Composite
US	7.5		FTSE W North America
Europe (ex UK)	16.5		FTSE AW Developed Europe (ex UK)
Japan	5.0		FTSE W Japan
Pacific (ex Japan)	4.0		FTSE – AW Developed Asia Pacific (ex Japan)
Emerging Mkts	4.0		FTSE AW All Emerging
Total Equities	100		
Cash	0.0	0-15	-
Total	100.0		

The performance objective is to outperform the benchmark by +1.5% p.a. gross over rolling 3 year periods.

Capital

(7.0% of assets)

	B' mark %	Benchmark Index
Global Equities	100	FTSE – All World Developed Index
Total	100	-

The performance objective is to outperform the benchmark by +2.0% p.a. gross over rolling 3 year periods.

Deutsche Bonds

(30.0% of assets)

	B' Mark %	Guideline Ranges %	Benchmark Index
UK Gilts	25.0	0-50	FTSE A Over 15 Year Gilts
UK Corporates	25.0	0-50	Merrill Lynch EuroSterling
UK Index-Linked	50.0	25-75	FTSE Over 5 Year Index-Linked Gilts
Overseas Bonds	-	0-25	
Non-Sterling Foreign Currency	-	0-10	
Cash	-	0-15	
Total	100.0		

The performance objective is to outperform the benchmark by +0.75% p.a. gross over rolling 3 year periods.

MLIM

(30.0% of assets)

	B' mark %	Benchmark Index
Corporate bonds	75	Merrill Lynch Eurosterlin g All Stocks Index
UK Gilts	25	FTSE Over 15 Year Gilts
Total	100	

The performance objective is to outperform the benchmark by +0.75% p.a. gross over rolling 3 year periods.

Standard Life

(3.0% of assets)

	B' mark %	Benchmark Index
Property	100	IPD Long Lease Property over 10 year index
Total	100	

The performance objective is to outperform the benchmark by +0.5% p.a. gross over rolling 3 year periods.

FRM

(3.0% of assets)

	B' mark %	Benchmark Index
Hedge Fund	100	N/A
Total	100	

The performance objective is to outperform LIBOR by 4% p.a. net over rolling three year periods.

GSAM Bonds

(3.0% of assets)

	B' mark %	Benchmark Index
Global Bonds	100	Lehman Global Aggregate Sterling (ex US MBS)
Total	100	

The performance objective is to outperform the benchmark by +1.25% p.a. net over rolling 3 year periods.

GSAM Currency

(2% of Plan assets)

	B' mark %	Benchmark Index
Active Currency Overlay	-	Nil
Equity Overlay	100	FTSE 100 UK Equity Index

The performance objective is to deliver gross excess return of 0.33% p.a., on the notional value of the Plan assets over rolling three year periods.

RCM

(1% of Plan assets)

	B' mark %	Benchmark Index
Currency Hedge	-	50% hedge of the strategic allocation implied by the actual value of the overseas equity portfolios.
Active Currency Overlay	-	Nil
Equity Overlay	100	FTSE 100 UK Equity Index

The performance objective of the active overlay mandate is to outperform the benchmark by +2.5% p.a. gross, on the value of the overseas equity portfolio.

SCHEDULE B – Cashflow Management and Rebalancing Policy

Objectives of Cashflow Management and Rebalancing Policy

- i) To retain the overall level of portfolio risk within a reasonable tolerance range, that ensures no significant alteration in the level of expected return or volatility of the Plan's assets;
- ii) To take profits when equity gains have improved the Plan's funding level;
- iii) To use cashflow to minimise the transaction costs and the extent of intervention by the Trustee;
- iv) For the Trustee to retain some over-riding control of the Plan's strategic asset allocation.

Cashflow Management

The Trustee has in place a cashflow management program. Income derived from the Plan's bond managers, Deutsche and Merrill Lynch, is paid by the Plan's custodian to the Trustee bank account at Royal Bank of Scotland.

Each month, Deutsche and Merrill Lynch provide the Coats Pension team with an estimate of each of the next three month's income based upon the portfolio's holdings. This enables the team to determine the residual monthly cashflow requirements required. These are met on a pro-rated basis from the Plan's equity managers.

Assuming equities outperform bonds in line with expectations, this approach will keep the asset allocation broadly in line with the target allocation. Any further rebalancing required as a result of market movements is conducted in line with the Rebalancing Policy.

Rebalancing Policy

- i) The table below sets out the agreed ranges for the three main asset classes comprising the Trustee's investment policy.

Asset Class	Hermes %	Newton %	Capital %	DeAM Bonds %	MLIM %	Std Life %	FRM %	GSAM Bonds %	GSAM Currency %	RCM %	Total %	Ranges %
<i>Equity</i>	6.0	15.0	7.0	-	-	-	-	-	-	-	28.0	26-30
<i>Core Bonds plus HLV</i>	-	-	-	30.0	30.0	3.0	-	-	-	-	63.0	61-65
<i>Enhanced Yield and Currency</i>	-	-	-	-	-	-	3.0	3.0	2.0	1.0	9.0	7 – 11

- ii) The Trustee will review the Plan's asset allocation against the agreed ranges as part of their performance monitoring at quarterly meetings.
- iii) Should the Trustee determine the need to alter the asset allocation reflecting a breach of the upper or lower limit, assets will be moved to bring the asset class with the greatest deviation to half-way between the limit breached and the central allocation. The sale or purchase of other asset classes required to achieve this will be determined using a hierarchical approach reflecting the degree of deviation from the central allocation of the remaining asset classes. Within each asset class, any rebalancing will also be used as an opportunity to bring the manager allocation towards the central allocation, although, the Trustee will seek to avoid unnecessary transactional complexity at this level;
- iv) At all times the Trustee may decide to override these rebalancing principles, with prior notification to the Company.

SCHEDULE C – Manager Fees

	Current fee scale
Hermes	0.05% pa.
Newton	Base Fee: 0.50% p.a. on first £10 million 0.25% p.a. on £10 - £75 million 0.20% p.a. over £75 million Performance Fee: Approximates to 5% of any outperformance, based on rolling 4 year periods.
Capital	0.70% p.a. on first £17.5 million 0.55% p.a. on £17.5 – £35 million 0.425% p.a. on £35 – £175 million 0.375% p.a. over £175 million
Deutsche Bonds	0.1075% p.a.
MLIM	0.15% p.a. on first £200 million 0.12% p.a. over £200 million
Standard Life	0.45% p.a.*
FRM	Base fee: 1.0% p.a. Performance fee: 8.0% of any positive performance, subject to a high watermark.
GSAM Bonds	0.30% p.a.
GSAM Currency	0.02% of Notional Value**, subject to a minimum of £250,000, plus 20% of any outperformance subject to a high watermark.
Record Currency Management	Passive: 0.015% of mandate size*** Active overlay: 0.15% of mandate size*** Management fee of 0.08% pa of average equitised cash balance, subject to a minimum of £10,000 per quarter.

* Note that Standard Life's base fee is 0.45%, however there is a rebate of 0.15% on the value of the initial investment.

** Notional value is currently £1,300m

*** Mandate size is the value of the Plan's foreign-currency denominated equities

SCHEDULE D – INVESTMENT MANAGER RESTRICTIONS

	Newton	Capital	MLIM	GSAM Bonds
Maximum Plan holding in single investment	6% of portfolio	5% of portfolio	5% of portfolio	See special restrictions below
Maximum Plan holding in particular class of capital	6% of portfolio	5% of portfolio	10% ¹ of portfolio	See special restrictions below
Voting	Vote at Manager's discretion subject to specific Trustee instruction.	Vote in line with manager's house policy	No voting rights	Vote at Manager's discretion subject to specific Trustee instruction
Underwriting	✓ ⁴	X	X	✓
Holdings in Coats plc and subsidiaries	X	X	X	X
Holdings in exchange-traded derivatives	✓ ¹	X ⁸	✓ ¹	✓
Holdings in non-exchange traded derivatives	Not specifically covered	X ⁸	X	✓
Contingent liability transactions	Not specifically covered	X ⁸	C ¹	✓
Stock lending	X	X	C	X
Forward foreign exchange contracts other than for hedging	X	✓	X	✓ ⁹
Regulated collective investment schemes	C ³	C	C	✓
Unregulated collective investment schemes	C ⁶	C	C	✓
Borrowing	✓ ²	X	C	✓ ¹⁰
Short Sales	X	X	X	✓ ¹¹

Key:

- ✓ Permissible
- C Permissible with trustees prior written consent
- X Prohibited

The above table is designed for quick reference only. The Manager Agreements should be consulted if full details are required.

Superscript numbers used in the table refer to the notes below:

1. Subject to issued Derivative Operating Guidelines.
2. Short futures will be limited to 100% of holdings in the relevant asset class.
3. No investment in a single authorised unit trust to exceed 10% of the portfolio market value.
4. Subject to limit of 10% of the portfolio.
5. Temporary borrowing is permitted but must not exceed 1% of the portfolio.
6. No investment in a single unauthorised unit trust to exceed 2.5% of the portfolio market value.
7. No limit on investment in UK Government Gilts.
8. Except where explicitly permitted in other guidelines.
9. Forward foreign exchange contract to be no longer than one year.
10. Must not exceed 5% of the value of the portfolio without trustees' prior written consent.
11. Short currency positions are permitted.

Special Restrictions

DeAM (Bonds)	MLIM	GSAM Bonds	Standard Life
Duration range: +/- 18 months	Duration range +/-24 months	Duration range: +/- 24 months	Restriction on individual stock - Max 20% of portfolio. - Max 15% of portfolio on purchase
Min credit rating: BBB-/Baa3	Min credit rating: BBB-/Baa3	Exposure to any one currency will be limited to +/- 10% of portfolio value	Maximum of 2% in cash
Max exposure to BBB securities: 30% of the credit portfolio.	Max exposure to securities: A 50% BBB or below 20% Below BBB 2%	The Manager can invest in cash and cash equivalents as long as duration limits satisfied	Maximum of 10% in both cash and bonds
Max exposure per non government issuer: AAA 10% AA or A 5% BBB 3%	Max exposure per non government issuer: AAA 10% AA 10% A 3% BBB or below 1.5%	No exposure limit on government, government agency (implicit or explicit guaranteed), supra national and local government issuers. Max exposure per non government /non government agency/ non-supranational / non local government issuer: AAA 10% AA 7% A 5% BBB 2% Sub investment grade 1%	Maximum of 10% in overseas property (currency hedged) Maximum of 10% in <5yr leases Medium-high risk tenants < 5% of fund Max 5% in indirect investments.

Record Currency Management	GSAM Currency
<p>Currencies</p> <p>a) Client's investment target currencies to be passively hedged – hedgeable currencies in the FTSE All World Equity Index.</p> <p>b) Permitted currencies for active 'alpha' cross-hedging: USD; CHF; EUR; JPY; GBP; AUD; NZD; CAD; SEK; NOK.</p> <p>c) The aggregate net exposure of each individual currency pair (converted into sterling at the prevailing spot rate) will not exceed 12% of the mandate size, and the aggregate net exposure of all currency contracts entered into under the active 'alpha' cross hedging program (and converted into sterling at the prevailing spot rate) will not exceed 60% of the mandate size. The mandate size for the currency programs is the Plan's foreign currency denominated equities converted to Sterling.</p>	<p>Currencies</p> <p>Securities may be issued by issuers located in any country, and may be denominated in any currency.</p>
<p>Permitted Instruments</p> <p>Foreign Exchange Contracts for spot delivery (which is two business days subsequent to the date of contract agreement).</p> <p>Forward Foreign Exchange Contracts – maximum maturity 12 months and 7 business days.</p> <p>For the implementation of the equitisation overlay RCM may only transact approved exchange traded futures contracts that can be transacted via the <i>bank</i> approved and appointed by the Plan (Goldman Sachs & Co). Eligible contracts are</p> <ul style="list-style-type: none"> • S&P 500 Future • Long Gilt Future • FTSE 100 Future <p>RCM may invest in the following short term money market instruments up to the identified limits:</p> <p>Cash on account – up to 100% of the cash equitisation mandate size</p>	<p>Permitted Instruments</p> <p>Cash, cash equivalents of any kind, including repurchase agreements and short term investment funds; Custodian STIF; as well as collective investment funds, including any liquid reserve sub-fund of Goldman Sachs Funds plc.</p> <p>Stock index and government bond futures, spot, forward and non-deliverable forward currency transactions, and other transactions required for the purpose of seeking to achieve benchmark exposure and for the efficient management of the Overlay.</p> <p>The Goldman Sachs GTAA Currency Strategy Fund (a sub-fund of Goldman Sachs Global Tactical Asset Allocation Funds (In Japan for Qualified Institutional Investors Only)) and the Goldman Sachs Fundamental Currency Fund PLC.</p>

<p>Time deposits with eligible banks (as outlined below under Bank Panel) not exceeding three calendar months at inception – up to 75% of the cash equitisation mandate size and may be deposited with any single institution.</p> <p>Prepaid margin at the futures broker – up to 100% of the cash equitisation mandate size.</p>	
<p>Bank Panel</p> <p>The following banks are recommended by Record, and satisfy the minimum credit requirements of the Client (A-1/P-1 short-term rating):</p> <ul style="list-style-type: none"> Royal Bank of Scotland Royal Bank of Canada Barclays HSBC Citibank Goldman Sachs <p>Banks may be added, amended or removed from this panel by mutual agreement, and will be removed by Record if any bank falls below the minimum credit requirement. In this event, Record will discuss with the client the most appropriate contract run-off policy. The aggregate net exposure to any one bank shall not exceed 30% of the mandate size</p>	<p>Investment Practices</p> <p>Permissible:</p> <ul style="list-style-type: none"> Agency trades with GS Affiliates Agency trading along with GS Affiliates Agency cross trades with GS Affiliates Principal Trades with GS Affiliates, to the extent allowed by law and regulation applicable to manager Short Sales Forward Delivery: to purchase securities for a fixed price at a future date beyond customary settlement time; and to dispose of such commitments prior to settlement. <p>Prohibited:</p> <ul style="list-style-type: none"> Borrowing, except for temporary or short term purposes.
<p>Cash Equitisation Mandate Size</p> <p>The cash equitisation mandate size will equal the quantum Sterling cash in the Plan’s equitisation account at Bank of New York. The mandate size is not expected to exceed £20 million. If the portfolio size exceeds £20 million, Record will bring it to the Plan’s attention and will upon the instruction of the Plan rebalance the mandate to a mandate size indicated by the Plan and deliver any excess funds to an account as advised by the Plan.</p>	

Passive Manager restrictions (for pooled fund)

Hermes Investment Management

Passive UK equity pooled fund

- a) No single investment to account for more than 5% of fund value or 1.25 times benchmark index weight, which ever is the greater.
- b) Permissible investments: stocks in or expected to be in the benchmark; stocks received as a result of corporate merger or demerger; stocks that are close substitutes for benchmark constituents; FTSE 100 futures; warrants on stocks otherwise eligible and that enter as a result of corporate actions.
- c) Investment in futures is permitted provided it is backed by cash and does not exceed 10% of the value of the fund. Futures must be exchanged traded.
- d) Stock lending is permitted.
- e) The fund should be fully invested.

SCHEDULE E – ADDITIONAL ASSETS

Assets in respect of members' Additional Voluntary Contributions ("AVCs") are invested separately with Equitable Life, Sun Life, London Life, Century Life, SLC Asset Management, Insight Investment Management (formerly Clerical Medical), Prudential, Credit Suisse, Norwich Union and Scottish Life. In addition, some members have AVCs held in other investment arrangements, for historical reasons, although these are not used for new contributions.

In addition the Plan holds other assets as follows:

- annuities to match the liabilities for some pensions in payment;
- some insurance contracts which represent the pension scheme assets of companies acquired by Coats plc in the past.