Paribas London Pension Scheme
September 2020

STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

This document describes the investment policy of Capital Cranfield Pension Trustees Limited (the "Trustee") in its capacity as trustee of the Paribas London Pension Scheme ("the Scheme").

The purpose of the Statement of Investment Principles (the "Statement") is to document the principles and policies governing decisions about the investment of the assets of the Scheme. This Statement sets out the Trustee's policy for complying with the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. The Trustee, in preparing this Statement, has consulted BNP Paribas acting through its London Branch (the "Company") and has received written advice from the Scheme's DB investment consultants, Redington Limited ("Redington"), and DC investment consultants, Aon Solutions UK limited ("Aon"), both of which are regulated by the Financial Conduct Authority.

The Scheme is governed by its Trust Deed & Rules which sets out the benefits and specifies the Trustee's investment powers. The investment powers do not conflict with this statement.

Redington and Aon have confirmed in writing to the Trustee that it is appropriately qualified to give the advice required by the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislation.

This Statement of Investment Principles covers the defined benefit and the defined contribution sections of the Scheme. It is set out in four parts, first the objectives and implementation of the defined benefit section (note that the investment arrangements are reviewed on a quarterly basis to ensure they remain consistent with meeting the investment objectives), secondly those of the defined contribution section, thirdly the Trustee's overall policy on issues that apply equally to the defined benefit and defined contribution sections and finally the Trustee's policies that apply specifically in respect of the Scheme's AVC investment arrangements.

SECTION 1 – DB SCHEME

2. Investment Objectives and Risk

2.1 Investment Objectives

The Trustee's main priority is to invest the Scheme's assets in the best interests of the members and beneficiaries. Within this framework, the Trustee has agreed objectives to help guide the setting and managing of investment strategy. The Trustee's primary objectives are as follows:

- To ensure that they can meet their obligation to the beneficiaries of the Scheme.
- To reach and maintain a fully funded position on a suitably prudent valuation basis over the long-term.

2.2 Risk Management and Measurement

All pension schemes are exposed to some degree of risk. The main risks that the Trustee considered when setting the Scheme's investment arrangements were:

- The mismatch between the Scheme's assets and its liabilities.
- Interest rate risk and inflation risk, which are two of the largest investment risks that arise due to the nature of the liabilities. These risks are substantially reduced within the Scheme by the use of interest rate and inflation hedging.
- Longevity risk, which is also a risk arising due to the nature of the liabilities. The Trustee is cognisant of this risk but recognises that the market for solutions to directly hedge longevity risk is less well-developed and less accessible than for hedging interest rate or inflation risk.
- The volatility of any return-seeking assets, such as equities, held by the Scheme. The Trustee recognises that whilst holding return-seeking assets increases expected returns over the long-term, it increases short-term volatility in the Scheme's funding position.
- The risks that may arise from a lack of diversification of investments. Subject to managing the risk arising from the mismatch of assets and liabilities, the Trustee aims to ensure the assets are appropriately diversified.
- The safe custody of the Scheme's assets: custody of the Scheme's assets is delegated to professional custodians (via the use of pooled vehicles).
- The risk of a manager under-performing its benchmark.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered 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 Trustee has 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.

The Trustee receives a manager monitoring report and investment performance report on a quarterly basis to help the monitor the continued suitability of the current investments.

Additional risks related to investment strategy include: currency risk (however, the Scheme is largely invested in Sterling denominated or GBP-hedged assets), illiquidity risk (however, the Scheme is predominantly invested in liquid asset classes), and legal and operational risks (which the Scheme mitigates by taking appropriate advice when putting in place legal documents and appointing providers capable of carrying out the required operational tasks).

Where there is a material change in the Scheme's circumstances, the Trustee will review the Scheme's investment arrangements to check whether they remain appropriate, having regard to the various risks set out above if the Trustee considers that they remain relevant.

2.3 Investment Strategy

The Trustee has set a Pensions Risk Management Framework ("PRMF"), which articulates the Scheme's objectives, including the investment objective and risk constraints. The

Scheme's performance against the PRMF and the continuing suitability of the PRMF is monitored on a quarterly basis.

The Trustee has set the investment strategy to meet the objectives set out in the PRMF. The investment objective under the PRMF is to meet and maintain full funding over time on a suitably prudent basis. The Trustee will consider the expected return on investments, with advice from the investment consultant, when selecting and monitoring its investment strategy. The Trustee will monitor the Scheme's asset-liability risk versus its risk constraint, as stated in the PRMF, on a quarterly basis using the reporting it receives from the investment consultant.

To meet and maintain its funding objective, the Scheme invests in return-seeking assets that have expected returns which, together with any contributions, are expected to provide sufficient asset returns to meet the stated funding objective. When selecting and appointing investment managers, the Trustee and investment consultant consider the desire to maintain a diversified portfolio as a contributing factor. Further, the investment consultant regularly reviews the range of investments held by the respective investment managers to ensure they remain appropriately balanced in the circumstances of the Plan and given the overall level of investment risk that is appropriate at the time.

To better align the interest rate and inflation sensitivities of the assets to those of the liabilities, the Scheme invests in Liability Driven Investment ("LDI") assets. These will include UK government bonds and may also include leveraged investments, for example, leveraged gilt exposure and interest rate and inflation swaps.

The Trustee will monitor the progress of the Scheme against its PRMF objectives and will consider, with advice from the investment consultant, adjusting the investment strategy where the Plan is not on track to meet its objectives.

3. Day to Day Management of the Assets

3.1 Main Assets

The Trustee regards the strategic asset allocation as the decision which has the most influence on the likelihood that the Scheme will achieve its objectives. In setting the investment strategy, the Trustee takes ongoing advice from the investment consultant and makes its decisions in consultation with the Company.

3.2 Rebalancing Policy and Cash Flow

The Trustee will typically review the performance of the Scheme against its objectives as set out in the PRMF on a quarterly basis. Where the Scheme is off-track against these objectives, the Trustee may decide to change the asset allocation with the aim of putting the Scheme in a better position to meet its objectives.

Cash flow policy is determined on an ad hoc basis following advice from the investment consultant on expected cash flows and asset allocation. Overall Scheme liquidity requirements are monitored and reported to the Trustee on a quarterly basis to ensure that prudent levels of liquidity are maintained.

The administrator ensures that sufficient cash balances are available in the Trustee bank account.

3.3 Realisation of Investments

The Scheme's investment managers have discretion in the timing of realisation of investments (i.e. the sale of assets) within their individual mandates.

The Trustee may decide, with advice from the investment consultant, when to sell or reduce their holding in a specific investment manager mandate. For example, the purpose may be to move funds to a different asset class due to a change in investment strategy, or to invest with a different manager in the same asset class where the Trustee believes the existing manager is no longer appropriate for the Scheme, or to generate cash to pay member benefits.

3.4 Asset Manager Policy

Due to the cost benefits and ease of implementation, the Trustee only invests in pooled investment vehicles. The Trustee recognises that due to the collective nature of these investments, there is less scope to directly influence how the investment manager invests. However, the Scheme's investment consultant ensures the investment objectives and guidelines of the manager are consistent with those of the Trustee.

Where relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and to use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective investment managers to make decisions based on long-term performance. These may include investments that provide risk reduction through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the manager is assessed over a medium to longer-term timeframe, subject to a minimum of three years. The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors, such as a significant change in business structure or the investment team.

Managers are paid a fee for a defined set of services, based on the size of the assets managed on behalf of the Scheme, as well as additional performance fees, where these have been previously agreed with a manager in repayment for performance above a specified benchmark. The investment consultant assists the Trustee in reviewing fees periodically to confirm they are in line with market practice.

The external investment managers provide a written performance report each quarter to the Trustee through the investment consultant. The investment consultant will produce a manager report for the Trustee based on this information. The Trustee will meet the managers on an ad hoc basis to review the managers' actions and investment performance. The investment consultant will assist the Trustee in fulfilling their responsibility for monitoring the investment managers. The Trustee's policy towards monitoring non-financial performance is set out in Section 5.1: Environmental, Social and Governance Factors Policy.

The Trustee reviews the portfolio transaction costs and portfolio turnover range (i.e. the proportion of acquisitions / disposals made by each manager as a proportion of the total holding over a given period) of managers periodically where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations, with assistance from the investment consultant.

4. Employer-related investments

It is possible that pooled investment vehicles in which the Scheme has invested may, in turn, invest in the shares of a company in the BNP Paribas Group or in another employer-related investment as a result of a decision taken by the pooled investment vehicle provider in question. The Trustee does not expect any such investment, even if it were to occur, to be material in relation to the Scheme and in any event the Trustee does not expect it to cause the Scheme to cease to comply with the restriction on employer-related investments under Section 40 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee includes the details of any employer-related investments in the annual report and accounts for the Scheme.

5. Environmental, Social and Governance ("ESG") factors

5.1 Environmental, Social and Governance factors

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

The Trustee may consider non-financial factors (such as ethical or moral beliefs) in its investment decision making, but only to the extent that these do not have a negative financial impact. The Trustee appoints investment managers that consider these factors on the Scheme's behalf.

5.2 Stewardship and Engagement

Direct engagement with underlying companies (as well as other relevant persons), of which the Trustee owns equity or debt, is carried out by the Scheme's investment managers.

This includes monitoring and engaging with issuers of debt or equity on financially material issues concerning strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental impact, social considerations and corporate governance. Where relevant, the Trustee expects its managers to use voting rights to effect the best possible sustainable long-term outcomes in line with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. .

The Trustee expects all its investment managers to implement current best practice in relation to good stewardship, such as adhering to the UK Stewardship Code. When selecting new managers, the Trustee's investment consultant assesses the ability of each investment manager to engage with underlying companies in order to promote the long-term success of the investments. When monitoring and de-selecting managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

Although the Trustee chooses managers that align with its beliefs on stewardship, given the Scheme only invests in pooled funds, due to the collective nature of these investments, the Trustee has less direct influence over the managers' policies on the exercise of investment rights. The Trustee requires its investment consultant to monitor and report on the voting behaviour carried out on its behalf.

The Trustee requires its investment consultant to report periodically on how its investment managers have acted with respect to the Trustee's' policy on stewardship and engagement. The Trustee will disclose any highlights as part of this review annually in its implementation statement and the investment manager's performance in these respects will be considered as part of the Trustee's wider assessment of the ongoing suitability of each investment manager.

6. Fees

6.1 Investment Management Fees

The Trustee has policy documents with the Scheme's investment managers which set out the terms and conditions by and under which the Scheme's assets will be managed, including the fee structure.

As the Trustee invests in pooled fund arrangements, they are unable to calculate the trading costs incurred specifically by the Scheme.

6.2 Investment consultant's Fees

The fees for the investment consultant are largely based on a fixed scope of work, but may also be based on fixed scopes of work for individual tasks or on a time-cost basis. The Trustee will formally assess the investment consultant against pre-agreed objectives on an annual basis.

7. Compliance and Review of Statement

The Trustee, the investment managers and the investment consultant each have duties to perform to ensure compliance with the Statement. These are:

- In line with the Occupational Pension Schemes (Investment) Regulations 2005, the Trustee will review the Statement at least every three years and without delay after a significant change in investment policy.
- The Trustee will review this Statement based on written expert advice, to be provided by the investment consultant, and will record compliance with it at a Trustee meeting.
- The Trustee will review this Statement where there is a material change to any aspect of the Scheme which they judge to have a bearing on the stated investment policy.
- The Trustee will consult the Company on any changes to the Statement.
- The investment managers will each prepare a written quarterly report for the Trustee which will be provided through the investment consultant.

SECTION 2 - DC SECTION

Investment Objective

The Trustee is responsible for investing the Scheme assets in line with members' preferences. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

STRATEGY

The Scheme Investment Objective is implemented using the range of investment options set out in the table in Appendix 1.

The Trustee makes available a number of lifestyle options to members. The lifestyle options are designed to be appropriate for members with a predictable retirement date. However, the lifestyle options are not suitable for members who unexpectedly retire early or who opt to take their retirement benefits in any other form than targeted by the particular option chosen.

The following Lifestyle options are available to members:

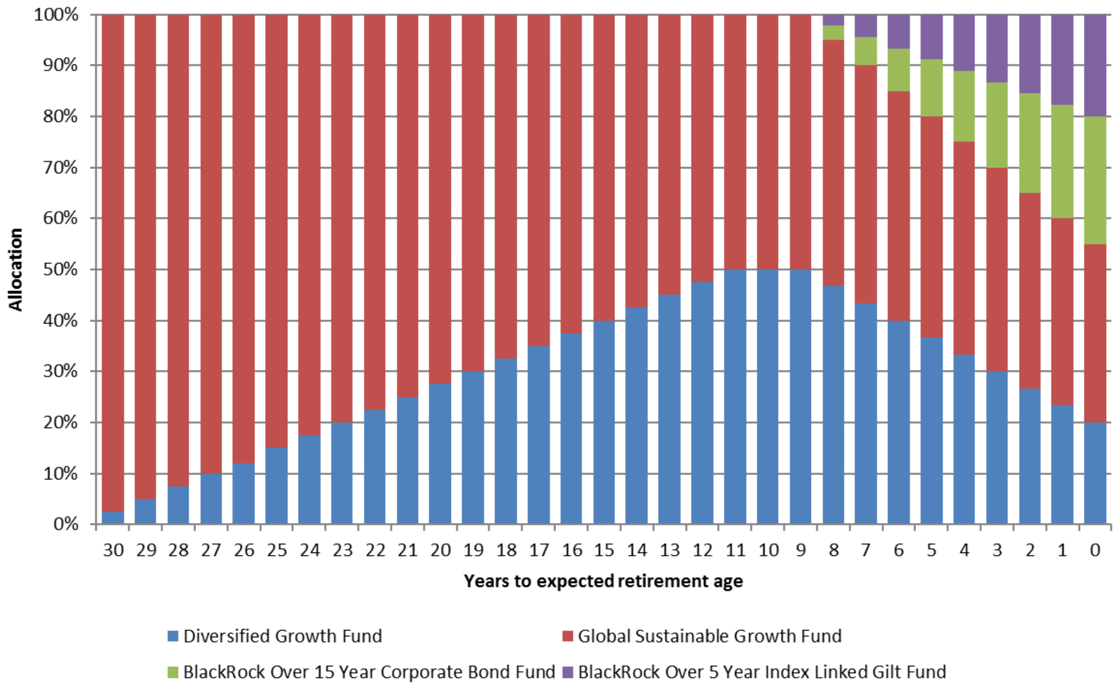
- **Lifestyle 1 – Drawdown (the primary default investment):** invests 100% in the Global Sustainable Growth Fund until the member reaches the point 30 years before their expected retirement age, at which point a portion of the member's investment is gradually switched to the Diversified Growth Fund over the next 20 years. Over the final 9 years a portion of the member's investment is gradually switched to the Index Linked Gilt Fund and Corporate Bond Fund. At the member's expected retirement date, the investments will be split 35% in the Global Sustainable Growth Fund, 20% in the Diversified Growth Fund, 25% in the Corporate Bond Fund and 20% in the Index Linked Gilt Fund.

- **Lifestyle 2 – Annuity:** invests 100% in the Global Sustainable Growth Fund until the member reaches the point 30 years before their expected retirement age, at which point a portion of the member's investment is gradually switched to the Diversified Growth Fund over the next 20 years. Starting from 9 years from the member's expected retirement age a portion of the investment is gradually switched to the Index Linked Gilt Fund and Corporate Bond Fund, and a further portion is switched to the Cash Fund over the final 5 years. At the member's expected retirement date, the investments will be split 75% in the Index Linked Gilt Fund and 25% in the Cash Fund.

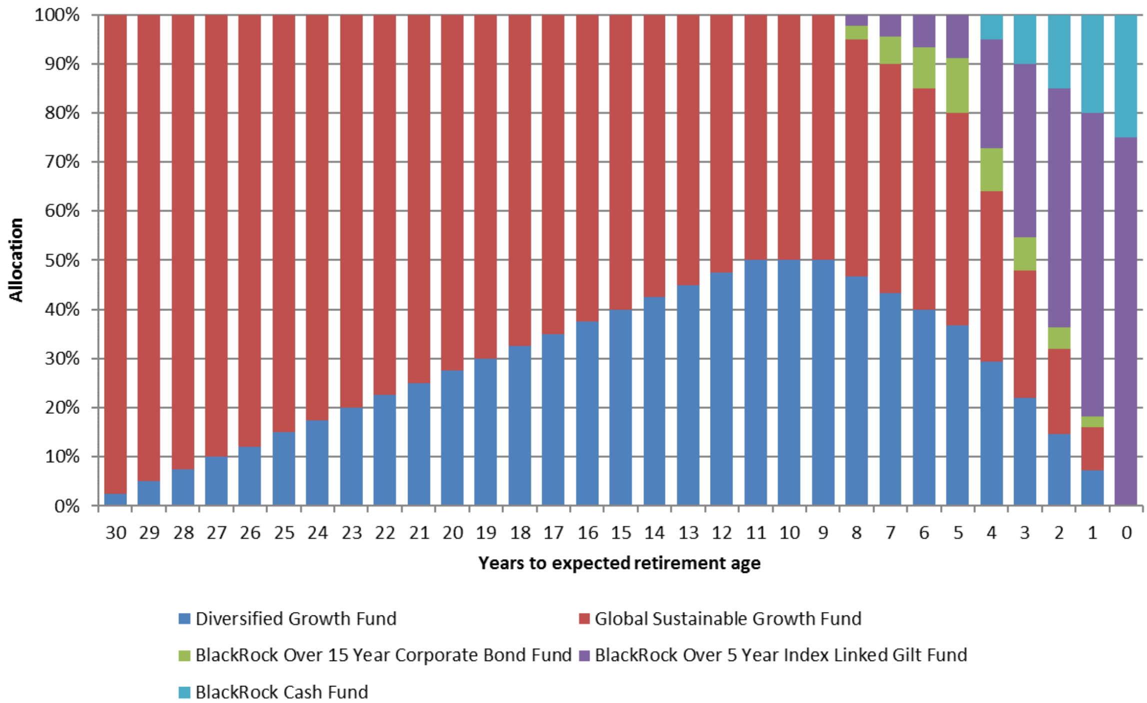
- **Lifestyle 3 – Cash:** invests 100% in the Global Sustainable Growth Fund until the member reaches the point 30 years before their expected retirement age, at which point a portion of the member's investment is gradually switched to the Diversified Growth Fund over the next 20 years. Starting from 9 years from the member's expected retirement age a portion of the member's investment is gradually switched to the Index Linked Gilt Fund and Corporate Bond Fund. Over the final 5 years the entire investment is gradually switched to the Cash Fund.

Charts showing the breakdown of the Lifestyle options by age are set out below.

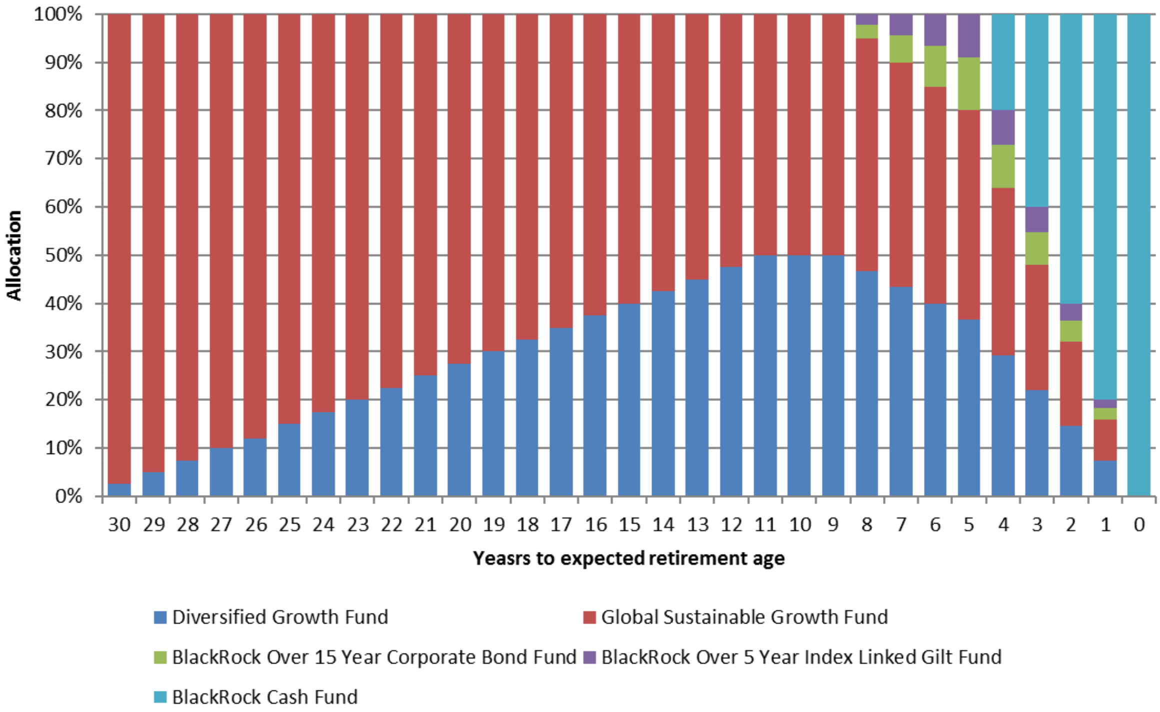
Lifestyle 1 – Drawdown Lifestyle (the primary default investment)



Lifestyle 2 – Annuity Lifestyle



Lifestyle 3– Cash Lifestyle



Members may choose to invest ***either*** in one of the Lifestyle options ***or*** in a combination of individual funds.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of investment options was chosen by the Trustee after taking expert advice from the Trustee's investment consultants. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.
- Integration of responsible investment issues within the investments.

Lifestyle 1 operates as the primary default investment and is designed to be suitable for the majority of members. Further details about the default investments are outlined in Appendix 2.

However, the Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk, and also that different members may wish to target different forms of benefit at retirement. As such, a range of self-select funds are made available to invest in to enable members to tailor their investment strategy to their own needs, allowing members to build their own bespoke diversified investment portfolio if they so wish.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower than returns on predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash funds will provide protection against changes in short-term capital values and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

In setting the Scheme’s investment strategy, including the default investments, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Risk considerations include the risk that environmental, social and governance (“ESG”) factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment consultant when setting the Scheme's default investments, when selecting managers and when monitoring their performance.

As part of ongoing monitoring of the Scheme’s investment managers, the Trustee will use ESG rating information provided by Aon, where relevant and available, to monitor the level of the Scheme’s investment managers' integration of ESG on a quarterly basis.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme’s investment strategy the Trustee considers the Scheme's members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

The Trustee has designed the lifestyle strategies, including the primary default investment (Drawdown lifestyle) to incorporate an ESG focus including an allocation to a specific "Responsible Investment Fund". The Trustee also makes available in the self-select range a Responsible Investment option, an ethical investment option and a Shariah-compliant fund option for those members who would like to invest in funds with these specific considerations.

Stewardship Policy – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its members. The Trustee also recognises that these issues may be of particular interest to Scheme members.

The Trustee invests in pooled funds through a platform provider, and as such have delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers in whose funds they invest.

As part of their delegated responsibilities, the Trustee expects the Scheme’s investment managers to:

- Where appropriate, engage with investee companies with the aim of protecting and enhancing the value of assets; and

- Exercise the Trustee's voting rights in relation to the Scheme’s assets, while disclosing and managing any potential conflicts of interest that may arise.

The Trustee reviews the suitability of the Scheme’s appointed investment managers at least every three years, particularly those used within the Scheme's default investment, and takes advice from Aon with regard to any changes. Where appropriate, this advice includes stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee expects (set out above) the Trustee undertakes to engage with the manager and seek a more sustainable position (where possible, and with the assistance of their advisers, Aon) but may also look to replace the manager.

The Trustee expects its managers, or other third parties, to use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change. However, given the Scheme only invests in pooled funds, due to the collective nature of these investments the Trustee has less direct influence over the managers’ policies on the exercise of investment rights. The Trustee, with the assistance of Aon, reviews the engagement approach and stewardship activities of its investment managers at least annually, covering both engagement and voting actions.

As part of this annual review, the Trustee expects managers to provide aggregate voting information at a fund level and voting rationale for significant votes. This information will be included in the Trustee's annual implementation statement, which will be included in the Trustee's report and accounts and made available to members in a publicly accessible web location.

Given the pooled nature of the Scheme's investments, the Trustee does not have a direct relationship with investee companies. However, from time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an investment manager on matters concerning an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

INVESTMENT MANAGER POLICY

Arrangements with Investment Managers
The Trustee monitors the investment options made available to Scheme members, including the default investments, to consider the extent to which the investment strategy and decisions of the appointed investment managers are aligned with the Trustee's policies, as set out in this statement. This includes monitoring the extent to which investment managers:

- Make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by Aon.

The Trustee receives quarterly reporting updates from Aon and also carry out an in-depth triennial review of various items including the investment strategy, performance, and longer-term positioning of the strategy.

The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the investment managers over the long-term.

If and when a new investment manager is appointed, the Trustee endeavours to review any required governing documentation associated with the investment and consider the extent to which it aligns with the Trustee's policies.

Where necessary, the Trustee will seek to express its expectations to the investment managers to try to achieve greater alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers (e.g. verbally or in writing at time of appointment), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will endeavour to first engage with the manager and in the event of a material misalignment, could ultimately replace the manager if deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all managers is reviewed on an annual basis.
The Trustee does not monitor the underlying investments made by the investment managers on their behalf against non-financial criteria.

Monitoring Investment Manager Costs

It is the Trustee's view that long-term performance, net of costs, is the most important metric on which to evaluate its investment managers.

Investment managers are remunerated by the deduction of set percentages of assets under management. This is in-line with market practice and avoids a short-term approach to investment performance that may be the result of any performance-related fees.
The Trustee therefore believes it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

- Explicit charges, such as the annual management charge, and additional expenses that are disclosed by investment managers as part of the Total Expense Ratio ('TER');
- Implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund.

The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The Trustee collects information on these member-borne costs and charges on an annual basis, where available, and sets these out in the Scheme's annual Chair's Statements which are made available to members in a publicly accessible web-location. In addition, the Trustee carries out a separate annual review of the explicit charges paid by members on each of the investment options. As part of this review, the Trustee compares the level of charges to broader market rates. Where an investment manager is flagged as charging higher than expected costs, the Trustee seeks to engage initially with the platform provider who sets the costs and then if required, the investment manager themselves, with the aim of reducing costs to a more acceptable level.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects Aon to highlight if these costs and charges appear unreasonable when they are collected as part of the annual Governance Statement exercise.

RISK MEASUREMENT AND MANAGEMENT

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Scheme. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below. The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of investment managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the investment manager and on an ongoing basis thereafter.
- The risk that the pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity.
- Risk of the default investments being unsuitable for the requirements of some members.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has 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.
- The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension.
- The risk that investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currency).
- The risk that investment market movements particularly in the period immediately prior to retirement leads to a substantial reduction in the anticipated level of retirement income.
- The risk that the investment vehicles in which monies are invested under-perform the expectations of the Trustee due to other external factors (e.g. environmental, social and governance factors, including climate change) over the short and long term.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle option annually.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, along with monitoring any significant issues with the investment managers that may impact their ability to meet the performance targets set by the Trustee.

SECTION 3 - DB AND DC SECTIONS

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

Trustee • Set structures and processes for carrying out its role • Select and monitor planned asset allocation • Select and monitor direct investments (see below) • Select and monitor investment consultants and investment managers • Select investment structures and oversee their implementation • Monitor investment consultants and investment managers • Fee structures • Detail of agreement (e.g. FX hedged vs unhedged, mode of investment) **Investment Consultant** • Advise on all aspects of the investment of the Scheme's assets • Advise on this statement • Provide required training **Investment Managers** • Operate within the terms of this statement and their written contracts • Select individual investments with regards to their suitability and diversification • Advise the Trustee on suitability of its benchmark indices
DC Governance Committee • Makes recommendations on the day-to-day management of the DC Section's assets and on the structure of the blended funds and default investments; • Makes on-going recommendations relevant to the principles of the DC Section's investment strategy, including the range of funds available to members; • Provides recommendations and support to the Trustee to ensure that the DC Section is valued by employees, is administered to a good standard, and has a broad and appropriate range of investments

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

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether to make any new direct investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the investment manager(s). 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 Trustee's investment consultant has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the investment managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

SECTION 4 – AVCS

The Trustee has also appointed FIL Life Limited (Fidelity) to offer a wide range of unit linked investment fund options. This range of funds mirror those available for members to invest in through the DC Section, details of which are set out in Appendix 1. Members also have the option of choosing from the three lifestyle strategies available to DC members. Details of these lifestyle strategies are detailed in the Section 3 of this statement.

All the insurance contract providers and investment managers are remunerated through a percentage of fund charge. The charges have been negotiated to ensure competitiveness and are reviewed regularly.

In addition, investment managers may pay commissions to third parties on trades they undertake in the management of the assets.

The life companies and pooled investment manager have appointed custodians for each of the investment funds available. The custodians provide safekeeping for all the funds' assets and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

Lifestyle 3 (the Cash Lifestyle) operates as the default investment for the AVC Section and is designed to be suitable for the way these members access their AVC accounts. Further details about the AVC default investment is outlined in Section 2 and Appendix 2 of this statement.

APPENDIX 1 – DC AND AVC FUND DETAILS

Details of funds available to members (Lifestyle funds noted)

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
Global Sustainable Growth Fund (Lifestyle fund)	0.23	Active	This fund aims to achieve long-term capital growth through investing in a diversified portfolio of global equities, incorporating both active and passive approaches. The fund has approximately 90% invested in the shares of developed global equities, with explicit consideration to environmental, social and governance (ESG) factors. The remaining 10% is invested into Emerging Markets Equities.
BlackRock Cash Fund (Lifestyle fund)	0.09	Active	This fund aims to achieve an investment return that is in line with wholesale money market short-term interest rates. Specifically, the fund seeks to better the return of the Seven Day LIBID. The underlying investments of the fund are a diversified portfolio of money market instruments. The instruments are of a high quality and have a minimum credit rating of A1 or an equivalent standing.

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
Diversified Growth Fund (Lifestyle fund)	0.64	Active	The fund aims to provide positive real long term returns by investing in a diversified range of asset classes and return drivers including equities, bonds, real estate, commodities, high yield debt and private equity. The fund also aims to reduce the risk and magnitude of falls in capital value.
BlackRock Over 5 Years Index Linked Gilt Fund (Lifestyle fund)	0.12	Passive	This fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market.
BlackRock Corporate Bond Index Over 15 Years Fund (Lifestyle Fund)	0.14	Passive	This fund invests in investment grade corporate bonds denominated in sterling. The fund aims to achieve a return consistent with the iBoxx £ Non-Gilts, Over 15 Years Index. This index consists of bonds with maturity periods of 15 years or longer.
Responsible Investment Fund	0.70	Active	This fund aims to achieve long-term capital growth through investing in a globally diversified portfolio of global equities, which are expected to benefit either directly or indirectly from a focus on environmental, social and governance (ESG) considerations.

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
BlackRock Dynamic Allocation Fund	0.54	Active	This fund targets a consistent investment return of 3.5% above the Bank of England base rate measured over rolling three year periods by utilising a multi-asset flexible investment approach. The focus on getting the asset mix "right" in order to achieve the target means this fund will generally hold a variety of different types of assets at any one time.
Fidelity Emerging Markets Equity Pensions Fund	0.94	Active	The fund's investment objective is to achieve long-term capital appreciation. The fund will invest primarily in securities of countries experiencing rapid economic growth including, without limitation, Africa, the Indian sub-continent, Latin America, South East Asia, Europe and the Middle East. There is no policy to restrict investment to particular economic sectors.
M&G Total Return Credit Fund	0.57	Active	The fund aims to maximise total return through prudent investment in a diversified pool of debt and debt like assets with a focus on credit. The fund will seek to preserve capital by allocating to cash and government bonds from time to time.

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
Nordea Diversified Return Fund	0.64	Active	The fund aims to preserve shareholders' capital (over a three-year investment horizon) and provide a stable, positive rate of return on investment. Investments are made globally in equities, bonds (including bonds convertible in equity shares) and money market instruments denominated in various currencies.
Global Active Equity Fund	0.34	Active	The fund aims to provide an investment return in excess of the MSCI World Index by investing in a diversified portfolio of global equities.
Schroder Diversified Growth Fund	0.73	Active	The objective of the Schroder Life Intermediated Diversified Growth Fund (IDGF) is to achieve a return of Consumer Price Inflation (CPI) +5% per annum over a full market cycle, which is typically five to seven years. It aims to achieve this objective with approximately a one third reduction in the level of volatility associated with an all equity portfolio.

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
Standard Life Managed Fund	0.64	Active	The fund aims to provide long term growth whilst investing in a diversified portfolio of assets (including equities, bonds, property, cash deposits and money-market instruments) in order to reduce the risk associated with being solely invested in any one asset class. These assets can be from both the UK and overseas. The fund is predominantly equity based and is actively managed by our investment team, who will vary the proportions held in each asset class to try to take advantage of opportunities they have identified.
Majedie UK Equity Fund	0.77	Active	The Fund aims to produce a total return in excess of the FTSE All-Share Index over the long-term through investment in a diversified portfolio, with at least 80% of the Fund invested in UK equities.
Diversified Fund	0.64	Active	The fund aims to provide positive real long term returns by investing in a diversified range of asset classes and return drivers including equities, bonds, real estate, commodities, high yield debt and private equity. The fund also aims to reduce the risk and magnitude of falls in capital value.
Property Fund	0.90	Active	To invest primarily in direct UK commercial property. It aims to generate total returns (from income and capital appreciation) that are above its benchmark, over rolling three year periods.

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
World (ex-UK) Equity Index Fund	0.15	Passive	This fund invests in shares of companies outside the UK and aims to achieve a return that is consistent with the return of the FTSE All-World Developed ex-UK Index.
BlackRock UK Equity Index Fund	0.12	Passive	This fund invests in the shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE All-Share Index.
BlackRock US Equity Index Fund	0.14	Passive	This fund invests in the shares of US companies and aims to achieve a return that is consistent with the return of the FTSE All-World USA Index.
BlackRock European Equity Index Fund	0.14	Passive	This fund invests in the shares of companies in Europe and aims to achieve a return that is consistent with the return of the FTSE All-World Developed Europe ex-UK Index.
BlackRock Japanese Equity Index Fund	0.14	Passive	This fund invests in the shares of Japanese companies and aims to achieve a return that is consistent with the return of the FTSE All-World Japan Index.
BlackRock Pacific Rim Equity Index Fund	0.14	Passive	This fund invests in the shares of companies in the Pacific Rim and aims to achieve a return that is consistent with the return of the FTSE All-World Developed Asia Pacific ex-Japan Index.

Fund	Annual Management Charge (% p.a.)	Active/ Passive	Investment Objective
BlackRock Over 15 Years UK Gilt Index Fund	0.12	Passive	This fund invests in UK government fixed income securities (gilts) that have a maturity period of 15 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Over 15 Years Index.
Islamic Global Equity Index Fund	0.75	Passive	This fund aims to provide long term capital growth by primarily investing in a broad range of company shares from around the world, which meet the Islamic investment principles. The Fund aims to track the performance of its benchmark, the Dow Jones Islamic Titans 100 Index.
Ethical Global Equity Index Fund	0.40	Passive	This fund aims to provide long term capital growth by investing in shares of companies that are incorporating ethical principles. The Fund aims to track the performance of its benchmark, the FTSE All World - 4Good Global Index.
Emerging Markets Equity Index Fund	0.60	Passive	This fund aims to provide long term capital growth by investing in shares of companies in countries designated as emerging markets. The Fund aims to track the performance of its benchmark, the FTSE All World Emerging Markets Index.

Details of the White-labelled Funds used:

Diversified Growth Fund and Diversified Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
Schroder Diversified Growth Fund	The objective of the Schroder Life Intermediated Diversified Growth Fund (IDGF) is to achieve a return of Retail Price Inflation (RPI) +5% per annum over a full market cycle, which is typically five to seven years. It aims to achieve this objective with approximately a one third reduction in the level of volatility associated with an all equity portfolio.”	25	
BlackRock Dynamic Allocation Fund	This fund targets a consistent investment return of 3.5% above the Bank of England base rate measured over rolling three-year periods by utilising a multi-asset flexible investment approach. The focus on getting the asset mix “right” in order to achieve the target means this fund will generally hold a variety of different types of assets at any one time.	25	
Nordea Diversified Return Fund	The fund aims to preserve shareholders' capital (over a three-year investment horizon) and provide a stable, positive rate of return on investment. Investments are made globally in equities, bonds (including bonds convertible in equity shares) and money market instruments denominated in various currencies.	50	
Overall	100% LIBOR 3 Month		**0.64%**

Responsible Investment Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
Impax Leaders Strategy	This fund seeks to achieve sustainable, above market returns over the longer term by investing globally in companies active in the growing resource efficiency and environmental markets.	50	
Nordea Global Climate and Environmental Strategy	This fund aims to achieve long-term capital growth through a diversified portfolio of equity or equity related investments in companies, which are expected to benefit either directly or indirectly from developments related to environmental challenges such as climate change.	50	
Overall	100% MSCI World Index		**0.70%**

Global Active Equity Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
AQR Style Premia: Long-Only Equity Strategy	The AQR Style Premia Strategy is a global, long-only portfolio of equities that seeks to provide efficient, diversified exposure to three investment styles: value, momentum, and defensive. The strategy's integrated approach seeks to offer a diversified, well-constructed core investment strategy that aims to provide returns in excess of the overall market.	100	
Overall	100% MSCI World Index		**0.34%**

Global Sustainable Growth Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
BlackRock World ESG Equity Tracker Fund (50% hedged)	This fund aims to provide returns on investments (generated through an increase to the value of the assets held by the Fund and/or income received from those assets) by tracking closely the performance of the MSCI World ESG Focus Low Carbon Screened Index.	40	
BlackRock World MultiFactor ESG Equity Tracker Fund (50% hedged)	This fund aims to provide returns on investments (generated through an increase to the value of the assets held by the Fund and/or income received from those assets) by tracking closely the performance of the MSCI World Select Multiple Factor ESG Low Carbon Target Index.	40	
Impax Leaders Strategy	This fund seeks to achieve sustainable, above market returns over the longer term by investing globally in companies active in the growing resource efficiency and environmental markets.	5	
Nordea Global Climate and Environmental Strategy	This fund aims to achieve long-term capital growth through a diversified portfolio of equity or equity related investments in companies, which are expected to benefit either directly or indirectly from developments related to environmental challenges such as climate change.	5	
BlackRock Emerging Markets Fund	This fund invests in the shares of companies incorporated or listed on a stock exchange in emerging market countries and aims to achieve a return that is consistent with the return of the MSCI Emerging Markets Index.	10	
Overall			**0.23%**

World (ex-UK) Equity Index Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
BlackRock World (ex UK) Equity Index Fund	This fund invests in shares of companies outside the UK and aims to achieve a return that is consistent with the return of the FTSE All-World Developed ex-UK Index.	100	
Overall	100% FTSE All-World (Developed ex-UK Index) Midday		**0.15%**

Emerging Markets Equity Index Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
L&G World Emerging Markets Equity Index Fund	This fund aims to provide long term capital growth by investing in shares of companies in countries designated as emerging markets. The Fund aims to track the performance of its benchmark, the FTSE All World Emerging Markets Index.	100	
Overall	100% FTSE Emerging Index		**0.44%**

Islamic Global Equity Index Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
HSBC Islamic Fund	This fund aims to provide long term capital growth by primarily investing in a broad range of company shares from around the world, which meet the Islamic investment principles. The Fund aims to track the performance of its benchmark, the Dow Jones Islamic Titans 100 Index.	100	
Overall	100% Dow Jones Islamic Titans 100 Gross		**0.75%**

Ethical Global Equity Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
L&G Ethical Global Equity Index Fund	This fund aims to provide long term capital growth by investing in shares of companies that are incorporating ethical principles. The Fund aims to track the performance of its benchmark, the FTSE All World - 4Good Global Index.	100	
Overall	100% FTSE AW - 4Good Global Index (Midday)		**0.40%**

Property Fund

Fund	Benchmark/ Investment Objective	Allocation (%)	AMC (% p.a.)
Threadneedle Pensions Property Fund	To invest primarily in direct UK commercial property. This fund aims to generate total returns (from income and capital appreciation) that are above its benchmark, over rolling three-year periods.	100	
Overall	100% IPD UK Pooled Property Fund All Balanced Index		**0.90%**

APPENDIX 2 – DEFAULT INVESTMENTS

Primary Default Investment – DC Section
The Trustee is required to designate a default investment into which members who are automatically enrolled are invested. The Trustee has designated Lifestyle 1 (as outlined in Section 2 - Strategy) as the primary default investment for the Scheme.

The aim of the primary default investment is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to equity funds and then to gradually diversify their investments in the years approaching retirement to reduce volatility, and provide a broad base of assets from which members can draw income (albeit the Trustee acknowledges that members would need to transfer their retirement savings to an external arrangement in order to access this facility).

The asset allocation throughout the primary default investment and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

Secondary Default Investment – DC Section
A secondary default investment was created in April 2020 when the Property Fund was suspended and ceased accepting new contributions, as a result of the Covid-19 pandemic. This fund is only available to members as a self-select option.

Rather than leaving future contributions intended for the Property Fund uninvested, the Trustee decided to redirect these contributions into the BlackRock Cash Fund, until the suspension of the Property Fund is lifted. As a result of such action, the BlackRock Cash Fund is classified as a default investment option for regulatory reporting and monitoring purposes.

The Trustee would have preferred to map the affected contributions to the Drawdown Lifestyle Strategy (the primary default option), as this would allow members who had selected the Property Fund to retain similar growth potential for their affected contributions.

However, members can only choose to be invested in a lifestyle strategy or in a selection of self-select options, not a combination of both. Therefore, the Trustee chose the BlackRock Cash Fund for affected contributions as the Trustee considered it at that time to be the most appropriate investment option in which to temporarily redirect the contributions intended for the Property Fund.

The BlackRock Cash Fund has historically experienced low levels of volatility and the Trustee understand it is most likely best placed to protect the value of these contributions, from the funds available, on a short-term basis. The Trustee believes this course of action to be in the best interests of members. It was also recognised that the BlackRock Cash Fund offers a relatively low member charge of 0.22% p.a. at the time of writing.

Default Investment – AVC Section
The aim of the AVC default investment is to provide members with the potential for higher

levels of growth during the accumulation of their retirement savings through exposure to equity funds, then to gradually diversify their investments in the years approaching retirement before moving to a portfolio invested 100% in cash at a member's selected retirement date. It has been designed to be suitable for the way these members access their AVC accounts.

A strategic review of the default investments will be carried out periodically (and at least every three years) in the future with reference to the manner in which members are expected to take their benefits from the Scheme and the stated aim of each default. This periodic review will also take into account any significant changes in the demographic profile of the relevant members. In addition to the triennial strategic review, the performance of the funds underlying the default investments is monitored on a quarterly basis to ensure alignment with the stated objectives. Outcomes of these reviews are reported on annually as part of the Chair's Statement which is available online.

The Trustee's policies in relation to the default investments in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out in the previous sections of this Statement.