

Statement of Investment Principles for Citigroup Global Markets Limited Pension and Life Assurance Scheme

1. Introduction

The purpose of the Statement of Investment Principles ('the Statement') is to document the principles, policies and beliefs by which the Trustee of the Citigroup Global Markets Limited Pension and Life Assurance Scheme ("PLAS" or "the Scheme") manages the Scheme's assets. This document takes account of:

- the requirements of Section 35 (as amended) of the Pensions Act 1995 as amended by Pensions Act 2004
- the requirements of the Occupational Pension Schemes (Investment) Regulations 2005;
- the principles of the Myners Code; and
- the Principles for Investment Governance of defined contribution work-based pension schemes.

The Scheme's Trustee has consulted Citigroup Global Markets Limited ('the Company'), the Sponsoring Employer, acting on behalf of all the participating employers, on the Statement and received written advice from the Scheme's investment advisers.

A copy of this Statement will be sent to each manager, the auditor, the actuary and the investment advisers.

The Statement will be reviewed annually and when there is a significant change in the Scheme's circumstances. The Trustee will take appropriate written advice and consult with the Sponsoring Employer over any changes to the Statement.

The Scheme is a hybrid scheme with both a defined benefit and defined contribution section.

The Scheme is governed by a consolidated Trust Deed and Rules which sets out the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with this Statement.

2. Defined Benefit Section of PLAS

The Trustee has (jointly with one other pension plan sponsored by employers within the Citi group) established a Defined Benefit Committee ("DBC") which will consider issues, including investments, which face the Trustee. The DBC is a sub-committee of the Trustee and has a remit that involves setting and implementing strategy and investment structures, monitoring investment advisers, fund managers and direct investments and making certain delegated decisions relevant to the operation of the Scheme's investment strategy. The terms of reference for this Committee have been set by the Trustee and may be changed from time to time.

This section of the Statement refers to the Defined Benefit Section. This section is a non-contributory defined benefit arrangement.

The ultimate power and obligation for deciding investment policy lies solely with the Trustee. The main areas of investment responsibility include:

- determination of strategic asset allocation;
- determination of portfolio structure;
- selection and appointment of external investment managers; and
- ongoing monitoring and evaluation of the investment arrangements.

2.1 Liabilities

The value of the Scheme's ongoing liabilities is sensitive to various demographic (principally longevity) and financial factors. The principal financial factors relevant to the Scheme's investment policy are:

- the rate of return on assets;
- price inflation for pensioners; and
- long-term interest rates.

The value of the Scheme's liabilities for the purpose of testing solvency and satisfying the statutory funding tests is sensitive to each of these factors.

2.2 Objectives

The Trustee's primary objective is to ensure that the Scheme can meet its obligations to the beneficiaries when they fall due. The Trustee attempts to minimise the risk of not meeting this objective through the Company's agreed contributions schedule and the level of expected return on the assets.

2.3 Risks

The Trustee regards 'risk' as the likelihood that it fails to achieve the objective set out above and has taken several measures to reduce this risk.

In particular, in arriving at the investment strategy and the production of this Statement, the Trustee has considered the following key risks:

- asset-liability mismatch risk (asset allocation risk)
- the need to pay benefits when due (cash-flow risk)
- actions by the investment managers (investment risk)
- fraud, poor advice or acts of negligence including non-compliance of investment managers with regulatory or legal requirements (operational risk)
- the failure of some investments (credit risk and concentration risk).

The DBC monitors the performance of the Scheme on a quarterly basis against its stated objectives.

The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that class for taking on active risk.

Each investment manager appointed by the Trustee is bound by the terms and conditions of an Investment Management Agreement where restrictions and targets are clearly documented. Pooled fund investments and direct investments are governed by the terms and conditions of the fund and / or policy documents.

2.4 Strategic Asset Allocation

The Trustee retains direct responsibility for the asset allocation decision which is made on the advice of its investment adviser with input from the Scheme Actuary and in consultation with the Company. The Trustee will consider a full range of investment opportunities.

The Trustee determines the strategic asset allocation policy after considering analysis of the Scheme's assets and liabilities. Updates to this analysis are normally monitored by the DBC on a quarterly basis to ensure that the asset allocation remains appropriate.

The analysis which is considered by the Trustee makes important assumptions about the behaviour of various asset classes and the liabilities in the future. For example, it is assumed that:

- Certain assets can represent a good match for the interest rate and inflation sensitivities of the liabilities. These assets include Gilts, index-linked Gilts, Gilt repo and swaps, as well as the UK interest rate sensitivity arising from sterling credit assets.

- Credit may be expected to outperform Gilts over the long term, but the credit returns are more volatile versus the liabilities over the short term.

The strategic asset allocation is set with regards to the Scheme’s policy benchmark of ‘Gilts+35 bps’, as agreed with the Company. ‘Gilts’ in this instance refers to a term structure derived from the yield on UK Government fixed interest gilts appropriate to the date of each expected future cash flow (extrapolated for cash flows beyond the longest available gilts), as advised by the Scheme Actuary following consultation with the Company.

The Trustee has decided to maintain an investment strategy comprising gilts and other hedging instruments, and credit instruments to maintain sufficient expected returns to target full funding on the Gilts+35bps basis.

In addition to targeting an expected return necessary to achieve and maintain the policy benchmark of Gilts+35bps, the Scheme also monitors the asset allocation. The Scheme targets the asset allocation set out in the table below, however, achieving this target asset allocation is a secondary aim to achieving the target expected return. Additional considerations regarding whether to re-balance to this target asset allocation will be taken into consideration and are set out in Section 2.5.

| Asset class | Target asset allocation | Lower bound (triggers re-balancing discussion at DBC) | Upper bound (triggers rebalancing discussion at DBC) |
|--------------------------------|-------------------------|---|--|
| LDI | 65% | 60% | 70% |
| Long-dated credit (US and GBP) | 20% | 15% | 25% |
| US credit | 15% | 10% | 20% |

To reduce the risk to the Scheme arising from the potential correlation between the performance of the Company and the wider financial institutions sector, the Scheme may seek to reduce or eliminate exposure to instruments such as corporate bonds in certain sub-sectors of the financial institutions sector. This includes lower-rated financial institutions instruments such as subordinated bonds, and instruments with point of non-viability (“PONV”) features. The decision as to whether to reduce financial institutions exposure within a particular mandate will take into account factors such as impact on risk, expected return and liquidity, and also whether it is practicable to make such a change.

To achieve the policy benchmark of Gilts+35 bps, the Trustee has the flexibility to use repos and derivative instruments but only to the extent that they help to reduce risk or facilitate efficient portfolio management. The combination of Gilts, repos, derivatives and credit is managed against a liability related benchmark that is based on the projected payments from the Scheme.

The Actuary undertakes monitoring of the liability-related benchmark on a quarterly basis and provides an update to the liability related benchmark where a pre-defined trigger, based on cumulative transfers-out and changes to inflation markets since the previous liability related benchmark recalibration, is met. The Actuary also monitors the inflation curve monthly: if movements in inflation forwards exceed pre-defined triggers, an out-of-cycle liability benchmark review is triggered. The aim is to ensure that the liability related benchmark is a reasonable hedge for the liabilities of the Scheme.

The assumptions used for the purposes of deriving the liability related benchmark have been determined by the Trustee. The Trustee and the Company have agreed that the assumptions used to determine the liability related benchmark will not have any influence on the assumptions used in the future for funding purposes (as required by Part 3 of the Pensions Act 2004).

The Trustee monitors the strategic asset allocation and the liability related benchmark on a regular basis through the quarterly reporting programme.

The Trustee’s policy is that all currency exposures within the credit mandates should be hedged back to Sterling and any non-UK interest rate sensitivity is eliminated by hedging.

2.5 Rebalancing policy and cash flows

The expected return on the Scheme assets is monitored against the returns required to achieve or maintain the funding objective against the policy benchmark, and a rebalancing of the asset allocation (i.e. realising some assets and reinvesting the proceeds into other assets) will be considered by the DBC where the expected return and required return move materially out of line.

If the asset allocation moves outside of the ranges set out in Section 2.4, the DBC will discuss whether to re-balance to the target asset allocation. Re-balancing will only be considered if a re-balanced portfolio can be constructed that achieves the target expected returns. Further considerations include transaction costs, impact on risk and impact on fees.

The ratios of the interest rate and inflation sensitivities of the assets versus those of the liabilities are monitored to ensure that these ratios are broadly at 100% each.

Contributions and withdrawals from the Scheme can also be used to help adjust the allocation where appropriate.

The Scheme also maintains a more detailed cashflow management policy document.

2.6 Implementation

The Trustee has delegated the management of the hedging portfolio to a specialist manager who is responsible for the management of both physical and derivative positions. Derivatives are used to manage or reduce risk or for efficient portfolio management. This includes giving the specialist hedging manager some discretion to make choices in how the hedging is implemented, within defined risk limits, with the aim of generating out-performance versus the relevant liability benchmark.

The activities of each manager are governed by their Investment Management Agreement, or by pooled fund subscription documents and prospectus. These include details on the portfolio performance objectives and risk limits.

2.7 Trustee Arrangements with Investment Managers

The terms of the long-term relationship between the Trustee and its managers are set out in separate Investment Management Agreements. These document the Trustee's expectations of their managers, alongside the Investment Guidelines they are required to operate under.

The Investment Guidelines are based on the policies set out in this document. The SIP is shared with the managers on an annual basis, and the Investment Guidelines are updated following any changes, ensuring the managers always invest in line with the Trustee's policies.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset 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. When assessing a manager's performance, the focus is on longer-term outcomes and 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, or because the Trustee is no longer satisfied that the manager is acting in a manner aligned with the Trustee's principles.

Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees annually to confirm they are in line with market practice.

The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers annually, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

2.8 Permissible investments

The credit managers will invest predominantly in physical credit instruments. For efficient portfolio management purposes, they are permitted to invest in credit derivatives and other instruments as set out in the investment guidelines.

2.9 Review and Control

In order to monitor the investment arrangements, the Trustee carries out various periodic and ad-hoc review and monitoring actions, as described in other sections of this document. The Trustee is satisfied that these monitoring actions are adequate and that it is appropriately resourced to carry out the monitoring required.

2.10 Performance Measurement

The Trustee monitors the strategy and its implementation as follows:

- The Trustee receives, on a quarterly basis, a written report on the performance of the fund versus its strategic objectives. The performance of the total fund is measured against a liability related benchmark calculated using a discount rate of Gilts+35 bps at each point along the yield curve.
- The Trustee also receives, on a quarterly basis, a manager monitoring report showing the performance of each manager mandate against the relevant benchmark.

2.11 Service Provider Monitoring

The Trustee reviews from time to time the services provided by the investment adviser and other service providers as necessary to ensure that the services provided remain appropriate for the Scheme.

2.12 Responsible Investments

2.12.1 Environmental, Social and Governance considerations relating to the Defined Benefit Section

The Trustee seeks to incorporate all financial considerations which are relevant and material to the Scheme into its 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's investment advisers will provide regular updates on the performance of investment managers against the above.

The Trustee does not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision-making, nor do they appoint asset managers that consider these factors.

2.12.2 Stewardship relating to the Defined Benefit Section

Any direct engagement with underlying companies (as well as other relevant persons) in respect of debt investments is carried out by the Plans' investment managers.

This includes monitoring and engaging with issuers of debt on financially material issues concerning strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental impact, social considerations and corporate governance.

The Trustee expects all its investment managers to practice good stewardship and to exercise influence wherever possible. It is the Trustee's preference to only appoint managers with strong stewardship policies and processes.

However, there may be instances where the Trustee has less direct influence over the managers' policies on the exercise of investment rights; for example, should any assets be held in pooled funds, due to the collective nature of these investments. In these cases the Trustee will assess the alignment of the Trustee's policies with the manager's behaviour before appointment, and review periodically.

The Trustee has a preference for 'Engagement' rather than 'Exclusion' as a method of effective risk management. However, this preference is kept under review and may be updated in the future should circumstances change. The Trustee expects its investment managers to independently consider whether exclusion or engagement is more appropriate within their investment process.

When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question. The Trustee requires its investment adviser to report annually on how its investment managers have acted in accordance with the Trustee's policy on stewardship and engagement. The Trustee will disclose any highlights as part of this review annually in its implementation statement.

3. Defined Contribution Section of the Scheme

See Appendix 1

4 General Investment Issues

For all sections, it is the Trustee's policy to consider:

- The need for appropriate diversification both across asset classes and within asset classes.
- The suitability of each asset class in the planned asset allocation strategy (defined benefit section).
- The suitability of each asset class for investment in a defined contribution scheme.
- The suitability of the possible styles of investment management and the option of manager diversification for defined contribution members.
- A full range of asset classes, including alternative asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

4.1 Environmental, Social and Governance

The Trustee has established a Combined Trustee Board which will consider issues which face the Trustee.

The Combined Trustee Board ("CTB") has considered Environmental, Social and Governance ("ESG") issues. The CTB believes that ESG issues can represent material risks to investments. The CTB's aim is that the Plans should keep abreast of industry best practice and adopt best practice where appropriate, recognising that implementation is likely to differ between Defined Benefit and Defined Contribution arrangements due to the different characteristics of each.

Further detail on ESG policy is outlined in the respective Defined Benefit and Defined Contribution sections of this document.

4.2 Governance

The Trustee has ultimate responsibility for the investment of the Scheme 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. Having considered advice from the advisers, the following decision making structure was chosen:

| | |
|--|---|
| <p><i>Trustee – Strategy</i></p> <ul style="list-style-type: none"> • Strategic asset allocation • Range of investment funds and benchmarks • LifeStyle strategy • Selecting AVC policy providers • Choosing the decision-making structure | <p><i>Trustee – Implementation / monitoring</i></p> <ul style="list-style-type: none"> • Selecting and monitoring investment advisers • Selecting and monitoring fund managers • Selecting and monitoring direct investments • Make decisions relevant to the operation of the Scheme’s investment strategy • Communicating, as appropriate, with members |
| <p><i>Investment Advisers</i></p> <ul style="list-style-type: none"> • Advice on all aspects of the investment of the Scheme assets • Advice on this statement • Overseeing implementation of the chosen funds and fund manager structure • Provide required training | <p><i>Fund Managers</i></p> <ul style="list-style-type: none"> • Selecting individual investments with regard to their suitability and diversification • Operating within the terms of this statement and their written contracts • Advise the Trustee on suitability of their benchmark |

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 without a contract, 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 their direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles used for investment of the defined benefit section assets, and those available for defined contribution investments in both sections. When deciding whether or not 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 fund manager(s).

The Trustee has delegated certain investment decisions to investment managers. The Trustee has a signed and dated Investment Management Agreement with each manager which sets out the terms and conditions by and under which the relevant part of the Scheme’s investments will be managed and reported. For pooled investments, the terms and conditions for each manager are set out in the fund subscription documents and prospectus. For direct investments in insurance contracts the terms and conditions are set out in the policy documents.

The investment advisers to the Trustee and DBC operate under an agreement to provide a service designed to ensure that the Trustee and DBC are fully briefed both to take the decisions they take themselves and to monitor those they delegate.

The Trustee has appointed a custodian for the Scheme. The custodian provides safekeeping for some of the Scheme’s assets and performs the administrative duties attached, such as the

collection of interest and dividends and dealing with corporate actions. Where the Scheme invests in “direct investments”, the manager of each direct investment has appointed their own custodian who is responsible for the safekeeping of the assets held by these vehicles and performs the administrative duties attached.

The Trustee will review this SIP annually 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.

For on behalf of the Trustee of the Citigroup Global Markets Limited Pension and Life Assurance Scheme:

Date: 21.10.2020

Statement of Investment Principles for the Citigroup Global Markets Limited Pension and Life Assurance Scheme (the “Scheme”) – Defined Contribution section

1. Introduction

This Statement of Investment Principles (“SIP”) sets out the policy of the Trustee of the Citigroup Global Markets Limited Pension and Life Assurance Scheme (the “Scheme”) – Defined Contribution section on various matters governing decisions about the investments of the Scheme. This SIP replaces the previous SIP dated 21 October 2020.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme’s investment adviser, whom the Trustee believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members in respect of the Scheme, and at least once every three years.

- **Appendix 1** sets out details of the Scheme’s investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustees’ policy towards risk appetite, capacity, measurement and management.

2. Investment objectives

The Trustee’s primary objectives for the Scheme are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Scheme and the variety of ways that members can draw their benefits in retirement; and
- a main default investment option that the Trustee believes to be reasonable for those members that do not make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually into lower risk investments to improve diversification and reduce volatility as members near retirement, maintaining the potential for a modest level of growth in excess of inflation.

3. Investment strategy

The Defined Contribution Committee (“DCC”) of the Trustee, with advice from its DC investment consultant, started a review of the Scheme’s lifestyle strategies and self-select fund range (including the default arrangements that existed at the time) at the end of 2017. This review continued during 2018 and was concluded in the first half of the Scheme year in 2019. In particular, decisions were made in relation to the existing default arrangements at meetings of the DCC on 8 March 2019 and 14 June 2019. Further decisions relating to the implementation of the changes following the review were made at a meeting of the DCC on 24 September 2019, considering the objectives described in Section 2 above. Changes to the lifestyle strategies and self-select funds were implemented in three stages starting in the last quarter of 2019 and were concluded by the second quarter of 2020.

For the Scheme, the Trustee offers members a range of investment funds. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. The Scheme’s main default option was originally designed based on a review of the membership’s demographic details in 2016. Following a review of the membership base in 2019, it was concluded the demographic details had remained consistent, which supported the ongoing suitability of the Scheme’s main default option. Therefore, the changes to the default lifestyle strategy that were implemented and concluded by the second quarter of 2020 continued to follow the same long-term strategic approach.

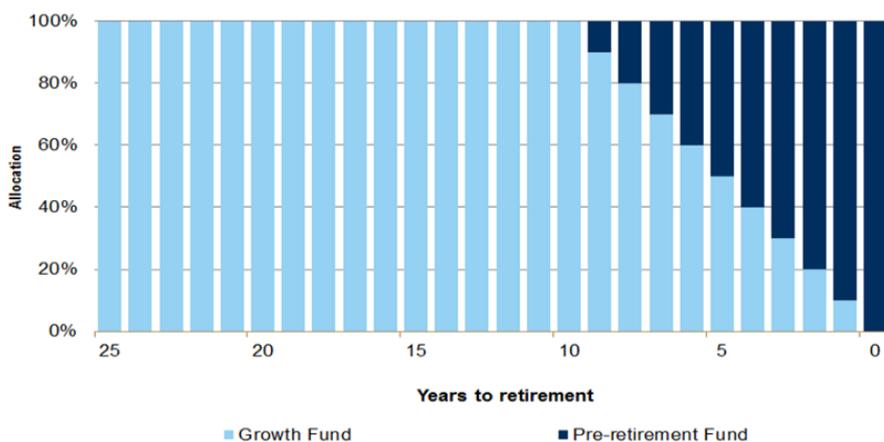
The Scheme’s main default arrangement is the Drawdown Lifestyle; this will be the default option if a member has not made an active investment choice.

3.1. The Scheme’s Main Default arrangement

3.1.1. The Drawdown Lifestyle

The default option targets income drawdown at retirement, so if a member has not chosen an investment option, their account will be invested into the default option, which is managed as a “lifestyle” strategy (ie it automatically combines investments in proportions that vary according to the time to retirement – known as Target Access Age or (“TAA”).

In the initial growth phase, the default option is invested in the Growth Fund which targets an expected return significantly above inflation (making use of equity based funds). In the 10 years before a member’s intended TAA, the default option starts to switch gradually into the Pre-Retirement Fund whose asset allocation is designed to be appropriate for members who wish to access their benefits via drawdown. The



charts below show how the default option's asset allocation changes as a member approaches retirement.

3.2. Other default arrangements

The Trustee has identified six other arrangements which could be considered to be additional default arrangements and consequently these are being treated as default arrangements:

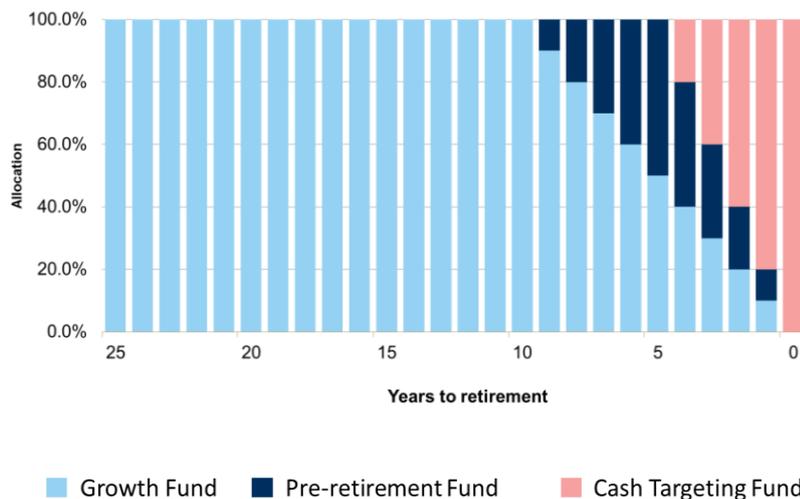
- the Cash Lifestyle;
- the Sterling Liquidity Fund – Active;
- Annuity Targeting Fund;
- Growth Fund;
- Pre-Retirement Fund; and
- Diversified Growth Fund – Semi Passive.

The Cash Lifestyle and Sterling Liquidity Fund – Active are considered to be defaults for governance purposes and must also meet charge cap restrictions. The Growth Fund, Annuity Targeting Fund, Pre-Retirement Fund and Diversified Growth Fund – Semi Passive are considered default arrangements for governance purposes only and therefore do not need to meet the charge cap restrictions.

3.2.1. The Cash Lifestyle

The default was set to the Cash Lifestyle for deferred members who in 2016 were projected to have relatively small pots at retirement and for the DC contributions of Defined Benefit members who were more than 10 years from their TAA at the time of the June 2016 review.

In the initial growth phase this default option is invested in the Growth Fund which targets an expected return significantly above inflation (making use of equity based funds). In the 10 years before a member's intended TAA, the default option starts to switch gradually into the Pre-Retirement Fund and then from 5 years before a member's intended TAA it will switch 100% into the Cash Targeting Fund. This lifestyle is designed to be appropriate for members wishing to take 100% cash at retirement.



3.2.2. Sterling Liquidity Fund – Active

The Sterling Liquidity Fund – Active invests in the BlackRock Institutional Sterling Government Liquidity Fund with no lifestyling and is the default option for the DC contributions of Defined Benefit members who were within 10 years of their TAA at the time of the June 2016 review.

The Fund is designed to maintain capital by investing in one or more Sterling liquidity funds. These funds will predominantly invest in a range of short-term money market instruments and government securities.

3.2.3. Annuity Targeting Fund

The Fund is designed for members who wish to purchase an annuity at retirement by broadly aiming to track annuity prices.

3.2.4. Growth Fund

The Growth Fund is designed to provide members with long term growth by investing in one or more appropriate asset classes.

3.2.5. Pre-Retirement Fund

The Pre-retirement Fund is designed to contain an appropriate balance between risk and return for members approaching their target access age who are expecting to draw down income.

3.2.6. Diversified Growth Fund – Semi Passive

The Diversified Growth Fund – Semi Passive is designed to deliver positive growth over the longer term by investing passively across various asset classes and adjusting the amounts held within different asset classes over time to strategically manage risk and reduce volatility.

The Trustee believes that the aims and objectives of the default arrangements as explained above and their policies in respect of all investments (including the default arrangements) as outlined in the rest of this Statement, are intended to ensure that assets are invested in the best interests of the majority of members invested in each of the default arrangements, taking into account the demographics of those members and the reasons why members are invested in these arrangements.

4. Other lifestyle strategies

An Annuity Lifestyle which is designed for members wishing to purchase an annuity at retirement, has also been made available to members.

5. Trustee's policy to reviewing the investment arrangements

The Trustee will review the default options and the other investment options at least every three years and as soon as practicable after any significant change in investment policy, or the demographic profile of relevant members.

The Trustee will also review periodically the relevant members' use of their options at retirement or on taking benefits from the Scheme to check whether assumptions made about how members access their benefits are borne out in practice.

The Trustee has ensured that each of the default options is below the cap on member-borne charges of 0.75% per annum. This does not apply to the defaults that have been categorised as defaults for governance purposes only. These are the Growth Fund, Annuity Targeting Fund, Pre-Retirement Fund and Diversified Growth Fund – Semi Passive. The Trustee will ensure that the cap on all member-borne charges will continue to apply to members' funds which remain invested in the other default arrangements, which are the Drawdown Lifestyle, The Cash Lifestyle and Sterling Liquidity Fund. This will be the case even if the member leaves their employer or stops making contributions and becomes a non-contributing, or 'deferred' member.

6. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers several risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

In determining the investment arrangements for the Scheme, the Trustee also took into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default strategy and between the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

7. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers and their objectives are set out in the separate Investment Policy Implementation Document.

The Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial (eg firm stability, remuneration, staff turnover) performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The Trustee selects investment managers with the expectation of a longer-term appointment. The nature of the DC funds is that the Trustee can move away from a given manager on short notice, but the Trustee would not expect to do so on short term performance grounds alone. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates. Portfolio turnover is monitored regularly via quarterly investment reviews and portfolio transaction costs are monitored on an annual basis by the Trustee as part of the annual Chair's Statement.

8. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the fund they manage and in considerations relating to the liquidity of investments. For the Scheme, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

9. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) where permissible

within applicable guidelines and restrictions. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has delegated responsibility for the selection, retention and realisation of investments within all investment funds to the underlying investment managers (within certain guidelines and restrictions).

In pooled funds, the Trustee has limited influence over managers' investment practices, particularly in relation to those pooled funds which are designed to track an index (passive funds) where the choice of index dictates the assets held by the manager. The Trustee accepts that the role of the passive manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. However, the Trustee will periodically review the indices employed for this purpose and encourages its managers to improve their practices where appropriate. In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustee expects the managers to consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions.

The Trustee will review how ESG-related issues are taken into account in the investment processes adopted by their investment managers within the main default option on a regular basis. The Trustee will challenge these approaches where appropriate and will report on ESG-related issues in relation to the main default option as part of their implementation policy that will be produced annually.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, the Trustee recognises that some members may wish to invest specifically in ethical or Shariah compliant funds and offers members appropriate funds to achieve this.

10. Stewardship

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking in to account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

For on behalf of the Trustee of the Citigroup Global Markets Limited Pension and Life Assurance Scheme:

Date: 16 June 2021

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on socially responsible investment issues;
- formulating a policy on voting rights;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer(s) when reviewing the SIP.

The Trustee has set up a DC Committee and delegated certain tasks to this Committee.

2. DC Committee

In broad terms, the DC Committee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employers;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- selecting (and, when necessary, reviewing) investment managers;
- appointing (and, when necessary, dismissing) platform providers, custodians and investment advisers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- the reconciliation of the units within the DC arrangements and any other matters raised within the Committee as to the proper administration of those arrangements;
- the preparation and monitoring of the budgets for all aspects of the Scheme's DC arrangements;
- communicating with members as appropriate on investment matters;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change); and

- compliance with any Code of Practice (or similar guidance) issues by the Pensions Regulator or any legislative provisions relating, in each case, to the governance of DC arrangements.

3. Investment platform provider

In broad terms, the investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers;
- providing the Trustee, through the platform, with regular information concerning the management and performance of the assets; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

4. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation, as agreed with the Trustee;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing their respective portfolios where permissible within applicable guidelines and restrictions; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

5. Custodians

The custodians of the Scheme funds (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of those assets and for facilitating all transactions within the funds.

6. Investment consultant

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- for the Scheme, advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustee in reviews of this SIP.

7. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

8. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustee will also carry out periodically an assessment of its own effectiveness as a decision-making body and will decide how this may then be reported to members.

Policy towards risk

Appendix 2

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

In the Scheme, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's DC default strategy is adequately diversified between different asset classes and within each asset class, and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme's investment arrangements.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis.

4. Liquidity/marketability risk

For the Scheme, this is the risk that core financial transactions, such as investing and disinvesting members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

5. Risk from excessive charges

Within the Scheme, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Scheme are in line with market practice and assesses regularly whether these represent good value for members.

6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme is subject to credit risk because it

invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

7. Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets.

For the Scheme's lifestyle investment strategies, the Trustee believes that the currency exposure is managed in an appropriate manner given the objective of each of those strategies.

Within the Scheme's self-select fund range some funds will be subject to currency risk where the underlying investments are held in overseas markets which the Trustee considers reasonable.

8. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on their behalf where permissible within applicable guidelines and restrictions.

9. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangement.