LifeSight

Statement of Investment Principles

March 2024

LifeSight

Willis Towers Watson

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Section 1: Introduction

1.1 This document describes the overarching investment principles and policies governing investment decisions pursued by Lifesight Limited ("the Trustee") as trustee of LifeSight.

1.2 In addition, the Trustee also maintains separate investment policies setting out further detail regarding how it maintains ongoing investment governance over LifeSight's investment options.

1.3 LifeSight has a wide range of investments; therefore, the principles and policies in this document are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

1.4 The Trustee has consulted and will consult Towers Watson Limited as the Founder of LifeSight before revising this document. All employers under LifeSight have appointed the Founder as their representative for the purposes of this consultation. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.5 In drawing up this document, the Trustee has sought advice from its Investment Consultant.

Scheme details

1.6 LifeSight operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. LifeSight operates on a defined contribution ("DC") basis.

1.7 LifeSight is a registered pension scheme under the Finance Act 2004.

1.8 LifeSight is an authorised Master Trust under the Pension Schemes Act 2017.

1.9 Towers Watson Limited is the Founder of LifeSight, the Investment Consultant to the Trustee, and the Fiduciary Manager for certain investment funds.

1.10 Legal & General Assurance (Pensions Management) Limited, ("LGIM") is the platform and insurance policy provider for LifeSight.

Relevant regulations

1.11 This statement is made by the Trustee in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it), under which the Trustee is required to prepare such a statement of the principles governing investment decisions.

1.12 Additionally, The Pensions Regulator's ('TPR') Code of Practice 13 (CoP13) sets out the standards of conduct and practice that TPR expects trustee boards providing money purchase benefits to comply with in fulfilling their legal duties in the pursuit of good member outcomes. This document has been drafted taking account of CoP13 and the DWP's minimum governance standards, and specifically the recommendations relating to the content of Statements of Investment Principles generally.

1.13 In the exercise of its investment powers, the Trustee has regard to the criteria for investment (including diversification and suitability of investments) as set out in the Occupational Pension Schemes (Investment) Regulations (2005) and the principles contained in this Statement.

1.14 Furthermore, in accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, including via policies issued by insurance companies.

Section 2: Division of Responsibilities

2.1 In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

Trustee

2.2 The LifeSight Trustee's responsibilities include:

- Maintaining an up-to-date Statement of Investment Principles.
- Selecting, monitoring and reviewing the appropriateness of the Default Lifecycles, alternative Lifecycle strategies, and other Core and Extended fund ranges, ensuring in particular that any Default options (strategies and funds) remain appropriate for the needs of members investing in them.
- Selecting, monitoring and reviewing the ongoing appropriateness of their advisers, platform provider, and other delegates.
- Reporting and communicating to members as appropriate.
- Assessing their own performance and those of their advisers and delegates.

Members

2.3 The individual members' responsibilities include:

- Ensuring contribution levels in the Savings Phase or drawdown amounts in the Spending Phase are and remain appropriate to their personal circumstances and needs.
- Reviewing and revising their retirement age.
- Making investment choices from the range of investment options provided by LifeSight (otherwise acknowledging that Saving Phase members will be invested in a Default).
- Ensuring their investment choices are and remain appropriate to their personal circumstances and needs.

Platform and policy provider

2.4 The DC platform provider and the policy provider's responsibilities include:

- Providing the Trustee with quarterly statements of the assets together with a quarterly report on actions and future intentions and any changes to the processes applied to the portfolio.
- The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by LifeSight.

Investment Consultant

2.5 The Investment Consultant's responsibilities are to advise and assist the Trustee on all investment matters including:

- Providing timely advice and assistance with regards to all the areas listed under Section 2.2 above.
- Liaising with and providing oversight of the Fiduciary Manager.
- Assisting the Trustee with its ongoing investment governance requirements, including the Trustee's legal responsibilities and recommendations within TPR's code of practices and associated guidance (including the Master Trust Assurance framework).
- Undertaking project work as required including transitions and implementations, strategy reviews and reviews of the platform provider and the Investment Managers.

2.6 The Investment Consultant may from time to time receive delegations over certain matters from the Trustee.

Fiduciary Manager

2.7 The Fiduciary Manager has been appointed by the Trustee to manage:

- The LifeSight Equity fund and LifeSight Diversified Growth fund. These two funds represent the vast majority of LifeSight's assets as they are the primary components of the Default Lifecycle strategies as well as being available on a 'Free-Choice' basis.
- A dynamic overlay around a number of the Spending Phase Strategies.

Collectively these funds over which the Fiduciary Manager has discretion are referred to as the Delegated Funds.

2.8 The Trustee has set the Fiduciary Manager specific objectives and parameters with respect to the Delegated Funds within a bespoke Fiduciary Management Agreement. The Fiduciary Manager is further incentivised to align its investment decisions with the Trustee's policies given its alignment of interests as part of WTW as Founder of LifeSight and its interest in LifeSight's success over the long-term.

2.9 The Fiduciary Manager is responsible to the Trustee for the ongoing management, portfolio construction and ultimately the investment performance of the Delegated Funds, which includes:

- Reseach and innovation of new investment opportunities.
- Selection and monitoring of managers and funds.
- Asset allocation.
- Implementation of any changes.
- Reporting to the Trustee.
- Adhering to agreed service levels.
- Reflecting Environmental, Social and Governance and broader sustainable and responsible investment considerations in the portfolio management process, including both capital allocation and stewardship/engagement where appropriate.

Underlying Investment Managers

2.10 The responsibilities of the Investment Managers of the Underlying Funds include:

- Managing the Underlying Funds at their discretion within the fund guidelines in order to achieve the Funds' investment objectives.
- Providing relevant information to the policy provider, including providing notification of any changes in the performance objective or other guidelines of the Underlying Funds.
- Reflecting Environmental, Social and Governance and broader sustainable and responsible investment considerations in the portfolio management process, including capital allocation and stewardship/engagement where appropriate.

2.11 As well as platform and policy provider, LGIM is also the underlying Investment Manager for the vast majority of LifeSight's assets, the majority of which are managed on a passive or 'smart beta' basis. The Trustee has appointed LGIM with an expectation of a long-term partnership, selects specific pooled vehicles for specific investment purposes, monitors performance accordingly, and encourages active ownership of LifeSight's assets for the medium to long-term, all of which serve to align interests with the Trustee's policies.

Section 3: Objectives and Investment Strategies

3.1 As a DC pension scheme, members' benefits in LifeSight are solely dependent on the amount of money paid into (or withdrawn from) their individual accounts and the performance of investments (net of costs).

3.2 The investment offer to members is strongly linked to the member engagement process and the objective is to help members understand and achieve their desired pension outcomes, not only via the investment proposition, but also by helping them to understand and influence their expected outcomes via their investment and other related decisions.

Investment Objectives

3.3 LifeSight aims to provide members with a high-quality investment proposition that:

- Will support them in achieving their personal retirement objectives.
- Reflects and encourages best-in-class sustainable and responsible investment practices, recognising that this is fundamental to good financial risk management.

3.4 This means providing a select range of investment options (funds and strategies) appropriate for different objectives that:

- Offer an appropriate balance between risk and return net of fees.
- Are cost conscious (including but not limited to options that are low-cost) and offer members value for money.

3.5 The set of investment options provided in each of the Savings and Spending Phases is intended to be reasonably comprehensive (to cater for different member retirement objectives, risk profiles, investment preferences and employer objectives), but not excessive.

Investment Choice Framework

3.6 LifeSight offers members a choice framework catering for different needs in terms of ease and control depending on the level of involvement they wish to have but with a view to nudging members to take as much ownership of their investment choices as possible.

3.7 In addition to the Default options (below) LifeSight provides a range of options from which members may choose:

- A Core range of nine pre-built pre-retirement (Savings Phase) Lifecycle investment strategies covering three different retirement objectives and three different levels of risk (see below and Appendix C for more detail).
- A Core range of five pre-built post-retirement (Spending Phase) investment strategies covering five different potential retirement objectives (see below and Appendix D for more detail).
- A Core Fund Range of investment options available to all LifeSight members (see Appendix B for more detail).
- An Extended Fund Range of additional investment options for specific purposes and/or cohorts of members, eg employer-specific funds or funds used for transition/on-boarding purposes.

3.8 There are four Building-Block Funds that underpin the Core Savings and Spending Phase strategies, and which are also available options within the Core 'Free-Choice' fund range:

- **LifeSight Equity Fund**: invests in a range of global equity markets; expected to produce returns in excess of inflation over the medium to long-term; capital values may be highly volatile in the short term. The investment charges of this fund are currently limited to a maximum of 0.11% pa.
- **LifeSight Diversified Growth Fund**: invests in equities as well as a variety of diversifying asset classes including but not limited to government and corporate bonds, property and infrastructure; expected to produce returns in excess of inflation but lower than that for equities over the medium to long-term; capital values may be volatile in the short-term although generally expected to be less than for equities. The investment charges of this fund are currently limited to a maximum of 0.15% pa.
- **LifeSight Bonds Fund**: invests predominantly in UK long dated inflation linked and/or fixed government bonds and corporate bonds; expected to produce lower returns than equities and other diversified growth assets over the medium to long-term, but such that the fund price is expected to rise and fall in a similar way to annuity prices; capital values may be volatile in the short-term.
- **LifeSight Cash Fund**: invests in high-quality short-term cash instruments; expected to produce low returns but to provide liquidity and nominal capital preservation.

Default and other Investment Options for Savings and Spending Phases

3.9 A Default is any investment in which member funds have been automatically invested without them having made an explicit choice. This could be:

- investments into which members are auto enrolled unless they opt out, or
- investments into which members are mapped (typically when a participating employer joins and there is a transfer without member consent of the member's past assets) and/or into which member contributions may be redirected where necessary without member consent for example in the case of item 6.4.

3.10 All LifeSight's investments that are below the charge-cap, whether or not currently utilised as a Default, are governed as (potential) Defaults.

3.11 LifeSight's standard Default investment strategy is the Medium Risk Drawdown Lifecycle, although LifeSight provides the ability to offer different Defaults for different participating employers and/or member cohorts to reflect the profile and needs of different groups.

3.12 The default target retirement age (TRA) will depend on whether members had participated in legacy arrangements, where the previous TRA is retained, or whether they joined LifeSight as a new entrant. Where new entrants do not select a TRA, the employer selected Pension Age acts as the default TRA. Members can change their TRA if they wish.

3.13 LifeSight provides members in the Savings Phase with a choice of nine Core pre-configured Lifecycle strategies reflecting three retirement benefit objectives (cash lump sum, annuity purchase and drawdown), and three levels of risk tolerance (lower, medium and higher):

- All nine of these Core Lifecycles could be used as Default investment options and are designed accordingly.
- All nine Lifecycle strategies make allocations between the Building-Block Funds in a way which changes over time to reflect the term to retirement date.
- The investment charges within each Lifecycle will vary depending on the specific underlying asset allocation over time but is currently limited to a maximum of 0.15% pa.

- The allocations within each of these Lifecycle strategies are provided in the appendix to this document.

3.14 LifeSight can and does also provide other Lifecycles, as Defaults or otherwise, for specific cohorts of members for specific purposes where deemed appropriate.

3.15 There is no Default for members in the Spending Phase – post-retirememt members must make an active investment choice before being able to access their money.

3.16 LifeSight provides members in the Spending Phase with a choice of five pre-built investment options reflecting common ways people use income drawdown arrangements to access pension savings:

- Each option has different objectives, context, time horizons and corresponding risk / return objectives, and are designed accordingly.
- All five of these options are made up of the Building-Block Funds.
- Four of these options maintain static strategic allocations (albeit with a dynamic fiduciary management overlay), and one is structured as a post-retirement annuity targeting Lifecycle with a strategic allocation which alters as the member's chosen target annuitisation date approaches.
- The investment charges within each option will reflect the specific underlying asset allocation over time.
- The allocations within each of these options are provided in the appendix to this document.

3.17 When designing and reviewing the investment strategies for and underlying the Savings and Spending Phases, the Trustee has regard to the sustainable and responsible investment principles outlined in Section 5 of this document.

Expected Risk and Return

3.18 The design of all Savings Phase Default / Lifecycle and Spending Phase investment strategies detailed above has regard to the expected risk and return characteristics of each of the Building-Block funds (as detailed above) as well as, importantly, the overall balance between risk and return over time relative to the stated objective of each strategy.

3.19 Each fund in the 'Free-Choice' Fund range offered to members has expected risk and return characteristics appropriate to the underlying assets in which each fund invests. Members have access to information about risk and return when making any selection from this fund range.

Section 4: Investment Manager Arrangements

4.1 A number of different Investment Managers may be accessed by LifeSight through the insurance policy with the platform provider, though the majority of investment management is provided by the policy provider itself, through its investment management business.

4.2 The Trustee appoints its Investment Managers – including in particular the underlying investment manager for the vast majority of LifeSight's assets (LGIM) and the Fiduciary Manager (WTW) – with an expectation of a long-term partnership, which encourages active ownership of LifeSight's assets.

4.3 For most of LifeSight's investments, the Trustee expects the Investment Managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may invest in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of LifeSight's allocation to such mandates is determined in the context of LifeSight's overall objectives.

Choosing investments

4.4 After taking appropriate investment advice (as defined by Section 36 of Pensions Act 1995, as amended), the Trustee invests in funds under a policy issued by an insurance company, which appoints Investment Managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

4.5 Each fund has an appropriate investment objective. Choice of specific investments is delegated to the managers subject to defined tolerances relative to their respective benchmarks.

Investment Structure

4.6 Each of the 'Free-Choice' Funds, including the Building-Block Funds, are white-labelled. White-labelling allows the underlying funds and Investment Managers to be changed more easily. In addition, the use of white labelled investment options that are not specifically branded by reference to the manager makes it potentially easier for members to understand where they are investing their assets. Each white-labelled fund invests through the policy with one or more Investment Managers.

4.7 The Trustee recognises that TPR's Code recommends that Investment Managers should be given freedom to use a range of financial instruments, unless specific circumstances of LifeSight preclude their use. LifeSight is invested wholly through an insurance company platform restricting the allowable liquidity, use of derivatives and leverage in the investment offering.

Investment Approach – Use of active, passive and smart beta management

4.8 LifeSight offers and makes use of a range of active, passive and 'smart-beta' investment options within the Lifecycle strategies and individual fund range.

4.9 The decision to offer / use active, passive, and/or smart beta approaches for each fund reflects a balance of a number of considerations, including not least the relative expected risk-adjusted return net of costs.

Performance Objectives

4.10 When assessing a manager's performance, the focus is on longer-term outcomes, and 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 due to other factors such as a significant change in business structure or the investment team or following regulatory censure.

4.11 The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk by LifeSight or any part of it.

4.12 The Trustee recognises that the Fiduciary Manager's and underlying Investment Managers' performance could be volatile and that they will not always achieve their target. Nonetheless, the Trustee will evaluate the Fiduciary Manager's and Investment Managers' performance in light of each specific mandate and expects targets to be met over the medium to long term, with the managers demonstrating that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.

4.13 The Trustee will also periodically review the suitability of LifeSight's investments in the context of LifeSight's overall range of funds and strategies.

Fees and charges

4.14 The Trustee has contracts in place that detail the services and fees with LifeSight's Investment Consultant, Fiduciary Manager, Platform and underlying Investment Managers. Those contracts are regularly reviewed and monitored by the Trustee.

4.15 Investment Managers are paid ad valorem fees for their services based on the value of assets under management. This is in line with normal market practice for a given scope of services, which includes consideration of long-term factors and engagement.

4.16 The Trustee reviews the costs incurred in managing LifeSight's assets, including the costs associated with portfolio turnover, on an annual basis. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

4.17 Member charges are subject to an annual Value for Members assessment which includes the impact of all fees and charges for members including the investment elements.

Soft commission

4.18 LifeSight's Investment Consultant, Fiduciary Manager and underlying Investment Managers do not enter into soft commission arrangements with brokers in relation to LifeSight's assets.

Section 5: Sustainable and Responsible Investment

Aim

5.1 The Trustee aims to integrate best-in-class sustainable and responsible investment within LifeSight's investment offering, in line with the generally accepted principles of fiduciary responsibility.

5.2 The Trustee is committed to using the scale and position of LifeSight as a leading Master Trust to contribute to creating a sustainable future for society and the planet given this is in the long-term financial interests of our members.

5.3 The Trustee has established a number of sustainable and responsible investment beliefs that underpin these aims and the corresponding policies below – these can be found in the Appendix.

Definition

5.4 The Trustee defines 'sustainable and responsible investment' as an investment approach that:

- balances short-term and long-term considerations;
- considers both capital allocation and stewardship as critical elements of the investment process;
- seeks to maximise risk-adjusted returns by taking into account all factors that may impact risk and return over different time horizons;
- explicitly integrates environmental, social and governance (ESG) factors, reputational and regulatory risks, and the real-world impact of investments, where these are deemed financially material;
- supports long-term sustainable wealth-creation of underlying investments; and
- supports industry and regulatory standards aimed at better functioning markets.

Financial and other considerations

5.5 In the above context, the Trustee's focus is on the direct financially material outcomes for our members, with due regard to the real-world impacts of the investment approach where these affect risk and return.

5.6 The Trustee does not look to make investment decisions based on what it believes to be non-financial or financially immaterial considerations.

5.7 The Trustee does offer 'Free-Choice' investment options to cater for a range of member preferences, including options that explicitly combine financial and other objectives that are not necessarily financially motivated.

Default / Lifecycles and 'Free-Choice' funds

5.8 The Trustee seeks to integrate the principles outlined in this section throughout its investment process – across both the Default / Lifecycle strategies and 'Free-Choice' range – but in

particular in the design and monitoring of the Default / Lifecycle strategies that hold the majority of member assets.

Divestment and exclusions

5.9 Divestment or exclusion decisions are generally delegated to the fiduciary manager and/or underlying Investment Managers in accordance with the Trustee's sustainable and responsible investment principles.

5.10 In general, the Trustee prefers not to use divestment or exclusion as part of its responsible investment approach, and instead prefers to engage as a socially responsible investor. However, the Trustee recognises that exclusion may be merited in certain circumstances, for example where an investment may contravene internationally recognised norms of corporate practice, present undue reputational or regulatory risk, and/or involve material ESG risks that are considered unlikely to be addressed effectively through engagement.

Strategic tilting

5.11 The Trustee is committed to exploring further changes to benchmarks and strategies to tilt exposures to align with global thematic ESG risks and opportunities. Climate change, and investing in line with a sustainable transition pathway, is a specific example here.

ESG integration: capital allocation

5.12 The Trustee has delegated the day-to-day security-level ESG integration to its Fiduciary and underlying Investment Managers.

5.13 Where relevant to the investment approach, the Trustee expects managers to integrate ESG factors appropriately as part of their investment process, and to document how they are reflecting ESG issues in their capital allocation.

ESG integration: stewardship (corporate and system-level)

5.14 The Trustee has, necessarily, delegated the day-to-day stewardship activities (including voting and engagement with respect to relevant matters such as the capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings) to its Investment Managers.

5.15 Nonetheless, our sustainable and responsible investment ambition necessitates maintaining progressive sustainable and responsible investment policies and practices to engage effectively with corporations, regulators and collaborative initiatives to improve how markets operate, not least to tackle specific global challenges such as climate change.

5.16 The Trustee seeks to exercise LifeSight's stewardship responsibilities primarily through WTW (as Sponsor, Investment Consultant and Fiduciary Manager); underlying Investment Managers; and a specialist engagement overlay provider (EOS at Federated Hermes, 'EOS').

5.17 The Trustee seeks to harness the collective scale, resources and specialist skills of these organisations to maximise LifeSight's impact and influence across the key stewardship activities: asset manager engagement; issuer engagement; voting; and public policy, advocacy and collaboration.

5.18 The Trustee's stewardship policy (covering voting and broader engagement) is set out in more detail in the Appendix.

Climate change

5.19 The Trustee recognises that climate change and an orderly transition to a net zero economy represent systemic and urgent global challenges – there are significant threats not just to the environment but to socioeconomic stability, as well as significant financial risks and opportunities as society addresses the challenges.

5.20 In order to avert the worst outcomes, the Trustee recognises that it is critical to limit increases in global average temperatures in line with the goals of the Paris Agreement, and that achieving these goals requires economies to manage *cumulative* emissions. This means that the pace of reduction in emissions, particularly in the nearer term, is of critical importance alongside the ultimate date at which net zero is achieved.

5.21 The Trustee recognises that, in order to achieve the goals of the Paris Agreement, LifeSight and other market participants all need to play our part. In particular, as a leading UK Master Trust, the Trustee recognises LifeSight's responsibility to help shape the system going forward and contribute to stewarding a whole economy transition to a net zero and resilient future.

5.22 Therefore, in addition to our general sustainable and responsible investment policies, the Trustee has set LifeSight a target to reach net zero greenhouse gas emissions across LifeSight's Default / Lifecycle strategies by 2050, with a 50% reduction by 2030, in line with the goals of the Paris Agreement (and therefore pursuing efforts to limit the global temperature increase to 1.5 degrees).

5.23 In line with the IIGCC's Net Zero Investment Framework, LifeSight's plans for achieving our target have limited reliance on Negative Emission Technologies, such as Carbon Capture and Storage and Direct Air Capture.

Transparency and reporting

5.24 The Trustee regularly monitors the ESG integration and stewardship activities of its key providers, with a focus on the most impactful areas – currently the activities of WTW as Fiduciary Manager of the Delegated Building-Block Funds underlying the Default / Lifecycle strategies; the stewardship activities of EOS, LGIM and WTW; and issues of particular importance such as climate change.

5.25 In particular, the Trustee conducts an annual deep-dive sustainable investment review, which includes meetings with the key providers; progress reports relative to LifeSight's overarching Net Zero target and journey plan, informed by a broader 'climate dashboard'; detailed reporting on a broad range of other ESG metrics; detailed reporting on voting and engagement statistics and trends, informed by stewardship case studies on key votes and engagements; and any other areas that are considered topical and important over time.

5.26 The Trustee publishes an annual implementation statement, which includes underlying manager voting statistics and other information illustrating adherence to these sustainable and responsible investment policies.

5.27 The Trustee also publishes an annual climate-related financial disclosures statement setting out in more detail LifeSight's policies and practices with regards to climate change risks and opportunities.

Section 6: Other Investment Policies

Liquidity and realisation of investments

6.1 LifeSight's assets are held in the Underlying Funds under the policy which can be realised to provide benefits when a member makes a valid request to withdraw them, or earlier on transfer to another pension arrangement.

6.2 LifeSight does offer Free-Choice illiquid investment options as well as utilise illiquid assets within Default and other investment strategies in order to improve risk and return characteristics (including accessing the illiquidity and complexity premia these assets offer) and thereby improve long-term member outcomes. However, LifeSight looks to do so where the corresponding risks and costs are deemed proportionate, well-managed, suitably compensated, and communicated transparently to members.

6.3 In normal market conditions the vast majority of the funds available to LifeSight members can be bought and sold daily. However, on occasion some Free-Choice funds (e.g. property) and / or underlying illiquid assets may not be readily realisable and may be subject to a dealing suspension, which may result in delays to invest, withdraw or transfer funds.

6.4 In the event that member contributions are not able to be invested where chosen, for example where a particular fund has been suspended from trading or a similar such issue, then the Trustee's standard policy is to redirect these contributions to the LifeSight Cash fund, while notifying members regarding the particular issue in question and encouraging them to determine whether they wish to amend their investment choice. Once the relevant suspension or issue has been resolved, previously redirected contributions will not in general be expected to be automatically reinvested in the original target fund(s), noting that it is the responsibility of each 'Free-Choice' member to determine how to invest their savings.

Diversification

6.5 The policy is a qualifying insurance policy and so is deemed to offer adequate diversification.

6.6 In addition, each underlying fund is monitored to ensure that it is appropriately diversified.

6.7 The Trustee provides a range of investment options to meet members' diverse investment needs and seeks to ensure that members are able to access adequate diversification of investments.

Suitability

6.8 The Trustee has taken advice from its Investment Consutlant to ensure that the investment options specified above are suitable for LifeSight.

6.9 The Trustee continues to monitor, and take advice on, the various options on an ongoing basis.

Stock lending policy

6.10 The Trustee permits onto the LifeSight platform investment funds that undertake stock lending subject to being satisfied that the associated risk controls and parameters are appropriate to ensure security of assets, and that this is monitored regularly.

Section 7: Risk Management

7.1 The Trustee recognises that there are a number of risks that can lead to members accumulating insufficient assets to finance their desired level of consumption in retirement, including:

- ‘Contribution risk’: The risk of starting contributions late, ceasing contributions, or paying insufficient contributions.
- ‘Consumption risk’: The risk of misunderstanding how the member will consume their pension wealth over the course of their retirement. This includes the risk that a member does not retire at the normal / stated target retirement age as well as the uncertain pattern of drawing down benefits in retirement. This is closely related to ‘Hoarding risk’ (the risk that member under-consumes their pension savings) and ‘Exhaustion risk’ (see below).
- ‘Exhaustion risk’: The risk that members in the Spending Phase exhaust their pension benefits earlier than expected. This is closely related to ‘Longevity risk’, i.e. the risk that members live longer than expected and therefore run out of money, and related to ‘Cognitive Decline risk’, i.e. the risk that a member’s willingness and / or ability to make investment-related decisions deteriorates in the future.
- ‘Volatility / capital preservation’: The risk of poor investment returns over the short term (i.e. volatility, or its converse, capital preservation, which is important for members looking to crystallise their benefits in the near term)
- Low compound return: The risk of poor investment returns over the long term (i.e. overall accumulated money-weighted investment returns) leading to insufficient benefits.
- ‘Inflation risk’: The risk that the investment returns over members’ working lives do not keep pace with inflation and hence purchasing power diminishes.
- ‘Interest rate risk’: The risk of converting accumulated retirement savings into an income. The cost of conversion is related to prevailing interest rates. If interest rates fall, the cost of converting accumulated savings into a given level of income increases, other things being equal.
- ‘Liquidity risk’: The risk that investments cannot be bought or sold when members wish to invest, withdraw and / or transfer funds. This is closely related to ‘Suspension risk’ as the risk that an investment fund ceases to trade, typically as a result of abnormal market conditions. These risks are heightened for assets such as property, infrastructure and private equity.
- ‘Sustainability risk’: The risk that long-term investment returns will be adversely impacted by ESG factors and / or the crystallisation of reputational, regulatory and other such risks.
- ‘Other investment risks’: A range of other macroeconomic, market and idiosyncratic factors including currency, credit, equity, concentration (i.e. inadequate diversification), asset security and other operational factors, securities lending, political uncertainty, fees and other costs, underperforming managers, over-cautious investment strategies, etc.

7.2 The Trustee has carefully selected a range of investment options (strategies and funds) that can be used to manage the above investment-related risks, periodically monitoring performance, asset security, value for money, expected outcomes, annuity prices, and market developments, in order to assess ongoing suitability.

7.3 The Trustee recognises that members have the capacity to respond to shortfall events by increasing contributions, delaying retirement or accepting a lower pension at retirement. The Trustee provides members with ongoing information, reporting, communications, engagement and modelling tools to help them to understand their expected retirement benefits and the impact of changing contributions, investments and/or target retirement age. Along with the provision of a suitable range of investment options, this helps members to manage their contribution, consumption and exhaustion risks.

7.4 The Trustee recognises that members will often not engage sufficiently or effectively in their share of the governance of their retirement savings, hence the Trustee utilises defaults to invest contributions and manage the key risks members face as far as possible, periodically undertaking analysis and seeking guidance to ensure they remain appropriate, until they engage with the governance of their pension savings.

Section 8: Compliance with and Review of this Statement

Compliance with this Statement

8.1 The Trustee will monitor compliance with this Statement annually, and produce an annual Implementation Statement to detail how the principles described in this Statement have been implemented in practice and explain and give reasons for any change made to this Statement.

Review of this Statement

8.2 The Trustee will review this Statement at least every year or more frequently in response to any material changes to any aspects of LifeSight, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.

Appendix A: Trustee Investment Beliefs

Asset allocation and time horizon

1.1 Member requirements shift from seeking strong returns at early ages (when financial capital is relatively low, the horizon for future savings and retirement planning is relatively long, and risk tolerance is relatively large) to seeking returns without excessive risk at later ages.

1.2 Long-horizon investors have flexibilities that short-horizon investors do not, and can better exploit certain opportunities (e.g. illiquid assets) and better manage certain sustainability risks as a result of their longer time horizon.

1.3 Equity as an asset class typically outperforms all other asset classes over most long-term periods.

1.4 Diversification of equity indices can improve investment efficiency relative to market capitalisation weighted indices.

1.5 Risk is multi-faceted so diversification of investments across return drivers and risk premia results in more robust portfolios and ultimately better risk-adjusted returns than investing in equities alone.

1.6 Strategic asset allocation is the primary driver of investment returns over the long-term.

1.7 Even with a long-term approach, an element of dynamism is critical as conditions and circumstances fundamentally change over time; however, the greater the level of dynamism the greater the level of governance required.

Member engagement and choice

2.1 This set of beliefs concerns member engagement with investment matters and corresponding beliefs regarding deliberately structuring and facilitating certain investment and investment-related choices for members. This links to a broader Trustee Member Engagement Policy which seeks, a) to engage members on appropriate matters at appropriate times in appropriate ways; and b) to provide, to those members who are interested, more information on a variety of topics including investment matters.

2.2 Member engagement with investment choices is likely to be infrequent and potentially not until they are approaching retirement. The Trustee is also cautious about overly encouraging members to engage with complex investment matters given the risks of poorly informed decision making by members. Therefore, it is explicitly not a goal of LifeSight's member engagement strategy to encourage Savings members to take active investment decisions.

2.3 The Trustee's focus regarding investment-related member engagement and choice should be on, a) building suitable investment approaches for the majority of members who are in a Default Lifecycle; b) being sensitive to investment-related member choices (in conjunction with corresponding member engagement strategies) around key variables (such as member contribution level, their retirement date, their retirement pathway, and their investment risk level) that can influence when members will be financially able to retire; and c) offering a suitable range of 'Free-Choice' investment choices for the remaining minority of members.

2.4 The Trustee aims to meet the needs of members to the extent that is reasonably practical. In doing so, the Trustee acknowledges that different Defaults may be suitable for different groups of members; some members will benefit from access to a limited number of facilitated choices (i.e. additional lifecycles) to allow them to move away from the Trustee selected Default; while

other members will benefit from a relevant and clearly defined select range of 'Free-Choice' investment options.

2.5 Decisions made by the Trustee (with appropriate advice by investment professionals) regarding the choice and design of defaults will, by definition, be based on limited knowledge of the individual, but nevertheless likely to result in better outcomes than decisions made by the average member. Therefore, the Default for a cohort of members should be based on the most likely way that group is expected to take their benefits combined with an appropriate balance between risk and return over time, acknowledging that members may take benefits in a different way or at a different time than expected.

2.6 Spending members have made an active decision to draw their retirement benefits from their LifeSight Account. On joining they are required to make an investment decision so at the point of retirement they must engage with their investments. The investment options given to Spending members should reflect the ways that members are likely to use their LifeSight Spending Account and recognise most will not be sophisticated investors and will want facilitated choices.

Active, passive and smart beta

3.1 The investment budget paid by members should be managed to maximise the value delivered to members.

3.2 The investment budget paid by members should be limited to reflect the market positioning of LifeSight.

3.3 Active management can add value over passive management where a high level of investment governance is applied.

3.4 Smart beta strategies can implement many active management styles at lower manager cost, though may still need high investment governance to add value.

3.5 Deciding to use passive, active or smart beta approaches to implement an asset class is a compromise between:

- The relative expected return and risk of each approach for the asset class
- The relative expected correlations with other assets within the portfolio
- The relative cost of each approach.

Sustainable and responsible investment

4.1 As long-term investors, the Trustee believes that sustainable and responsible investment is fundamental to maximising risk-adjusted returns and therefore delivering the best possible pension outcomes for our members.

4.2 The Trustee recognises that an investment's financial success can be influenced by a wide range of factors including Environmental, Social and Governance (ESG) issues and stewardship, hence these are important aspects of sustainable and responsible financial risk management in order to protect and enhance the value of investments and thus improve long-term member financial outcomes.

4.3 The Trustee believes that long-term returns to investors are likely to be more sustainable if companies responsibly consider the interests of wider stakeholders – i.e. not just shareholders and lenders, but also employees, customers, wider society and the planet.

4.4 The Trustee believes that the returns our members need over the long-term can only come from an economic system that works effectively.

With regards to climate change in particular:

4.5 The Trustee believes that an orderly transition to net zero greenhouse gas emissions is an urgent global challenge, as the risk from climate change is far-reaching and systemic, posing a significant threat not just to the environment but to socioeconomic stability.

4.6 The Trustee acknowledges the scientific evidence pointing to potentially catastrophic risks and impacts if global warming continues on its current trajectory and that, without substantial collective action, humanity risks missing the point where we can avoid runaway climate change, irreversibly damaging the world's people and economies, as well as the natural systems that sustain us.

4.7 The Trustee believes that climate change will materially affect the global economy and capital markets in both the short term (as policy changes and the transition process is priced into markets) and long term (as the real-world impacts of global warming increase).

4.8 The Trustee believes that these challenges present material financial risks (which are long-term, uncertain, systemic, undiversifiable and unhedgeable) and opportunities, which necessitate specific risk management, opportunity identification and collective action.

Appendix B: Trustee Stewardship Policy

1.1 The Trustee recognises effective stewardship as a critical aspect of sustainable investment and important to a well-functioning investment industry. The Trustee also believes that this is as an area where the industry needs to improve, engaging with underlying businesses, issuers and operating assets, not on quarterly results, financial models and valuations, but rather on their strategy, culture, leadership, innovation, and sustainability.

1.2 The Trustee appreciates LifeSight's role as an influential industry participant, and seeks to exercise LifeSight's stewardship responsibilities primarily through:

- WTW as Sponsor, Investment Consultant and Fiduciary Manager; and
- LGIM, other underlying managers, and a specialist engagement overlay provider (EOS at Federated Hermes, 'EOS').

1.3 The Trustee believes that harnessing the collective scale, resources and specialist skills of these organisations in this important, technical and resource-intensive area is the most effective way to maximise LifeSight's impact and influence across the following key stewardship activities:

- Asset manager engagement
- Issuer engagement
- Voting
- Public policy, advocacy and collaboration.

Stewardship priorities

2.1. The Trustee seeks to exercise LifeSight's stewardship responsibilities across a range of material sustainability issues, but in particular recognises climate change, and an orderly transition to a net zero economy, as a priority.

2.2. As such, the Trustee expects its key service providers and asset managers to provide a stewardship approach to climate (and intrinsically related topics such as deforestation and biodiversity loss) that is aligned to the goals of the Paris Agreement (i.e. pursuing efforts to limit the global average temperature increase to 1.5 degrees).

2.3. As part of its annual engagement process with its key delegates, with the support of its Investment Consultant, the Trustee identifies a number of priority areas, themes and case studies on which to challenge and engage.

Asset manager engagement policy

3.1. The Trustee expects asset managers to adhere to the principles of applicable local stewardship codes, and to document how they are considering and addressing ESG issues in their ongoing voting and engagement activities. In particular, the Trustee expects asset managers to act to address the key stewardship priorities as noted above.

3.2. The Trustee promotes asset manager engagement via its Investment Consultant and Fiduciary Manager, who are expected to leverage WTW's manager research and broader scale and resources in order to:

- Find asset management organisations and products that embed sustainable investment practices effectively.

- Work together with these organisations to continue to improve their sustainable investment practices over time.
- Carry out asset manager engagement in the same manner that asset managers would be expected to engage in a constructive dialogue with the businesses, issuers and assets they own.
- Identify alternative asset managers for selection if incumbent asset managers are determined, following a period of engagement, to not be satisfactorily delivering against this policy.

Issuer engagement policy

4.1. The Trustee promotes responsible issuer (e.g. corporate) engagement as a key tool to effect positive change in the investment industry and the market more widely, for the ultimate benefit of our members.

4.2. Issuer engagement is a requirement for the underlying managers who hold the securities, and they are often best positioned to engage. Hence the importance of research and engagement with asset managers (as above) to assess their engagement practices and share and encourage best practice.

4.3. To supplement corporate engagement carried out by individual managers, LifeSight has also partnered with EOS to provide additional corporate engagement in respect of our key Default Building Block Funds over and above that of the underlying asset managers:

- EOS is a leading stewardship provider, with the expertise, scale and market standing to effect positive change.
- WTW has worked closely with EOS for many years, inputting into their engagement planning and prioritisation, and currently WTW's Head of Stewardship chairs the EOS Client Advisory Board.
- The appointment of EOS to provide an additional layer of high-quality engagement highlights the importance that LifeSight places on addressing key ESG risks, such as climate change, both within the portfolio and at wider system level.

4.4. The Trustee expects its asset managers and service providers to undertake issuer engagements in a way that addresses the key stewardship priorities as noted above. This should involve making use of a range of engagement escalation tools where progress by issuers is insufficient.

4.5. The Trustee notes that where companies do not respond or take steps to meet required standards, LGIM will use the range of stewardship tools to influence a better sustainability outcome. Considering climate in particular, companies that fall short of LGIM's climate expectations over time may see votes against directors and ultimately potentially divestment sanctions (source: LGIM's 2022 active ownership report). EOS regularly escalates engagements where the company is not receptive to engagement, no progress is being made or progress is too slow. Escalations include attempting engagement at a more senior level, letters to the board of directors, working with investors or other stakeholders, questions or statements at annual meetings, recommending votes against annual meeting items, shareholder resolutions or open letters.

Voting policy

5.1. The Trustee promotes responsible voting on equity shares as an important and visible engagement tool via its engagement with relevant asset managers – both directly and via the broader scale of WTW.

5.2. LifeSight holds no equities directly, but necessarily invests via third party pooled funds. Thus, voting rights and the execution of those rights are de facto delegated to the underlying

managers of those funds. Furthermore, the Trustee believes that granular issuer-specific voting policies often require context of the specific nature of the resolution, company concerned and related engagement activity, which is better judged by voting asset managers with the requisite policies, resources and practices.

5.3. However, the Trustee communicates to its principal voting managers the following overarching expectations:

- Providers should have well developed voting policies, including setting out a clear position on different ESG topics such as climate change.
- All votes should be exercised where feasible.
- In addition to considering individual company context, voting activity should address wider systemic risks, such as encouraging a Paris-aligned climate transition (e.g. voting against company transition plans that are judged to be insufficiently aligned with Paris goals and/or voting against Directors of companies who are considered misaligned with Paris goals and where engagement with the company has proved ineffective).
- Voting rationales should be provided for significant votes. Criteria for assessing a vote as 'significant' include the size of the shareholding, the topic of the voting resolution (and its relevance to the Trustee's stated investment principles), and any ongoing engagement activity that provides greater context to the individual vote.
- The role of voting within a wider escalation process should be set out. Occasional co-filing shareholder resolutions is expected as part this process.
- Where proxy advisers are used, the voting manager should provide oversight of this and challenge the proxy adviser's recommendations where appropriate.
- Where stock lending is employed, shares should be recalled for key votes.
- Effective processes should be in place to manage any potential conflicts of interest.

5.4. Furthermore, assessing the voting practices of LifeSight's asset managers is an important part of LifeSight's ongoing investment governance process, and a key factor within overall manager selection and retention criteria:

- The Trustee expects WTW to assess, monitor and engage with managers in this area, and report to the Trustee on this explicitly. The sustainable investment reports received by the Trustee track and summarise the voting policies, processes, resources and metrics of relevant managers, and include a positive, neutral, or negative score on the manager's voting practices assigned by WTW's research team.
- Principal voting managers' voting activity is reviewed annually by the Trustee using WTW's proprietary voting analysis tool. This looks at patterns in management and shareholder resolution voting across regions, sectors and themes, as well as within particular areas of interest to the Trustee, such as climate-related voting.

5.5. While the above is not binding on the voting asset manager, the process holds them to account by clearly articulating and assessing alignment with LifeSight's expectations. It is a basis against which to monitor practice, seek improvement, and ultimately reconsider appointments where necessary.

System-level engagement (public policy, advocacy and collaboration) policy

6.1. The Trustee promotes responsible collaborative engagement and advocacy on system-level issues (such as climate change and alignment with the goals of the Paris Agreement) with a view to support robust and sustainable economic and investment markets and thus improve long-term value creation and investment outcomes for all participants.

6.2. This is achieved predominantly through a combination of:

- WTW: the Trustee's Investment Consultant and Fiduciary Manager are expected to leverage WTW's broader scale and influence, including constructive engagement with

regulators and policymakers and participating/leading in the work of industry bodies and collaborative investor initiatives, to promote high industry standards and effective investment markets.

- EOS: LifeSight has also partnered with EOS in this area to undertake public engagement and advocacy on LifeSight's behalf. EOS works with policymakers, industry bodies and institutions around the world to better ensure ESG-related policies and standards are aligned with the interests of investors and best meet the needs of end savers.
- Underlying managers: in particular key managers such as LGIM, who are expected to use their influence in a similar way to WTW and EOS.

Further information

7.1. Further information regarding relevant policies and practices of LifeSight's key stewardship delegates can be found here:

- WTW: wtw-2022-uk-stewardship-code
- EOS: eos-2022-annual-review
- LGIM: lgim-2022-active-ownership

Appendix C: Core Fund Range

Building block funds

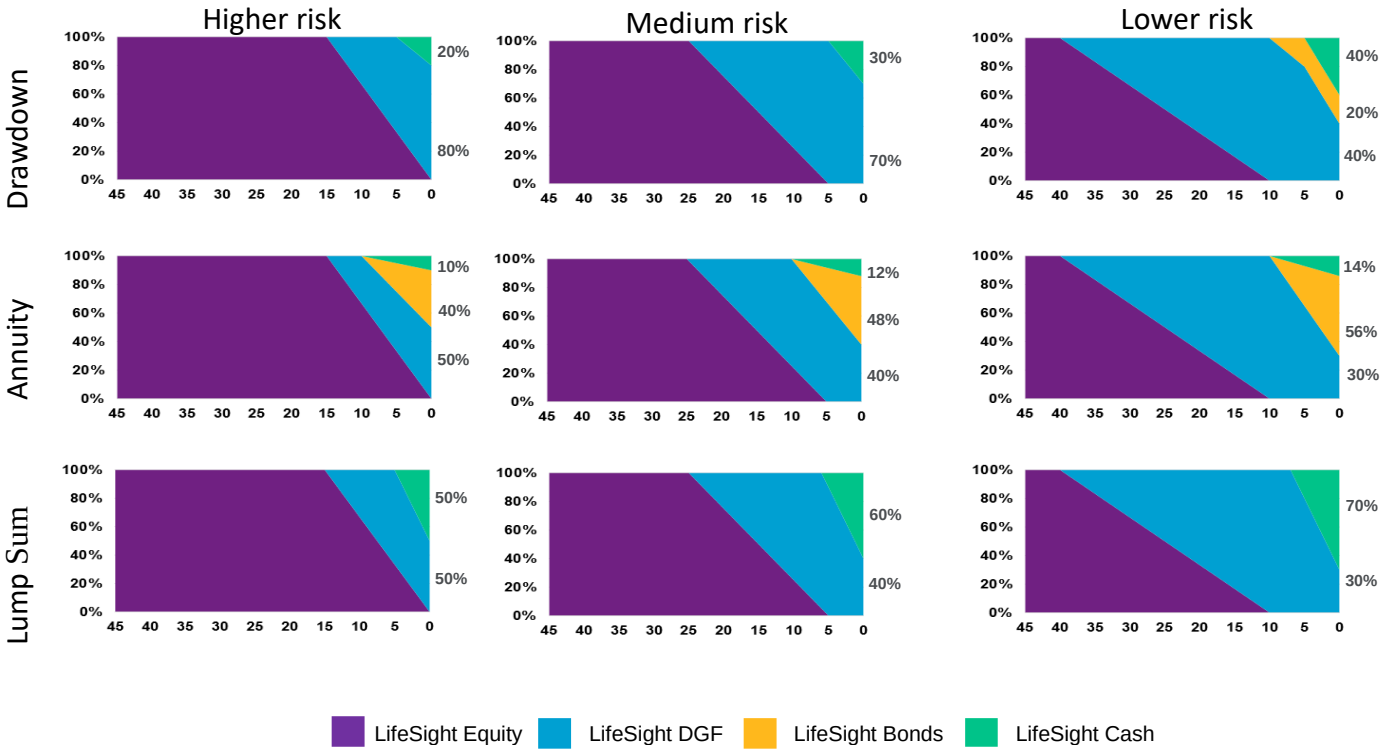
LifeSight Equity
LifeSight Diversified Growth
LifeSight Bonds
LifeSight Cash

Other 'Free-Choice' funds

UK Equity
Europe (ex UK) Equity
North America Equity
Asia Pacific (ex-Japan) Equity
Japan Equity
Developed Markets Equity – Unhedged
Developed Markets Equity – Hedged
Emerging Markets Equity
Global Equity ESG Smart Beta
Climate Focused Fund
Ethical Global Equity
Shariah Equity
Property
Global Property
Infrastructure Smart Beta
UK Corporate Bond
Global High Yield Bond
Emerging Market Government Bond
Annuity Matching
Inflation Linked Annuity Matching
UK Fixed Interest Gilts
UK Index Linked Gilts

Appendix D: Core Savings Phase Strategies

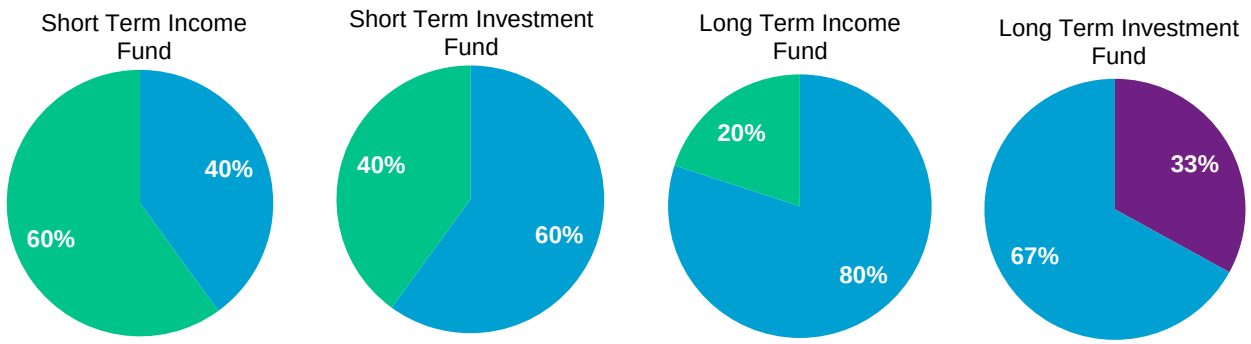
LifeSight has nine pre-configured Core Lifecycle funds from which members can choose, covering 3 different retirement objectives, and 3 different levels of risk. The following charts describe the proportion invested in each of the Building-Block Funds (vertical axis) at different times before TRA (horizontal axis)



Appendix E: Core Spending Phase Strategies

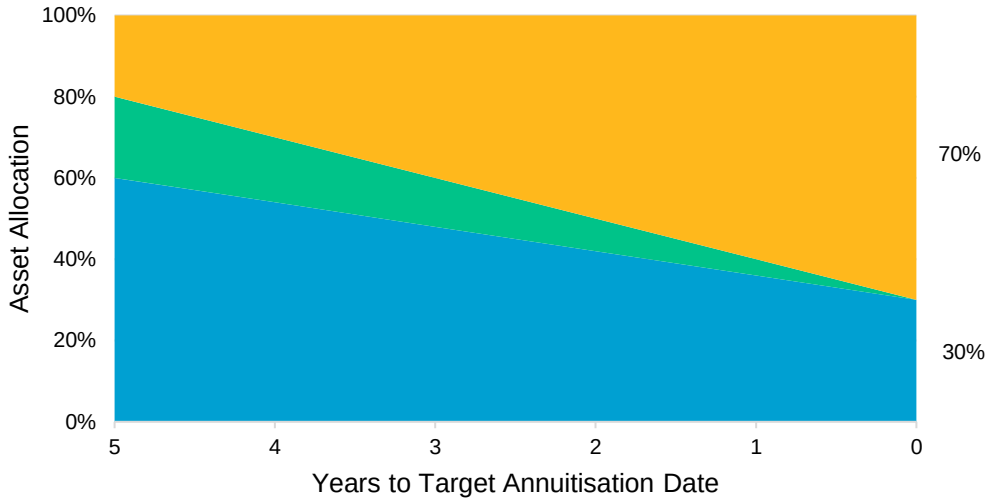
The Trustee makes available 5 objective-based Spending Phase investment strategies, including an annuity matching Lifecycle option, as set out below.

The following pie charts show the strategic asset allocations of four of the Funds.



Annuity Matching Fund:

This is a Lifecycle strategy that gradually reduces the level of risk to a late-retirement annuity purchase objective over 5 years from a target annuitisation date of a member's choosing, as set out in the following chart.



Note: The strategies above replace a range of legacy post-retirement risk-graded and annuity strategies, in which a minority of members remain invested.

Key: LifeSight Equity LifeSight DGF LifeSight Bonds LifeSight Cash

Appendix F: Glossary

Active Management	A style of investment management which aims to achieve performance in excess of a relevant benchmark through either asset allocation, market timing or stock selection. It is the opposite to passive management and typically incurs a higher fee for the prospect of achieving higher performance.
Building-Block Funds	The blended funds which form the constituent parts of the Lifecycle strategies
Core Fund Range	The range of investment options available to all LifeSight members
Default	Any investment in which member funds have been automatically invested without them having made an explicit choice. This could be a Lifecycle strategy in which members are auto enrolled unless they opt out or other investment into which members are mapped.
Delegated Fund	A white-labelled fund whos underlying portfolio construction is delegated to the Fiduciary manager
Extended Fund Range	The range of additional investment options not available to all LifeSight members, eg employer-specific funds or funds used for transition/on-boarding purposes
Fiduciary Manager	The manager with fiduciary responsility for the ongoing management and portfolio construction of the Delegated Funds
Investment Consultant	The regulated investment consultant providing advice to the Trustee with oversight of all investment options
Lifecycle strategy	A Lifecycle strategy invests a member's contributions in a series of funds changing over time in response to the member's term to retirement date
Passive Management	A term generally applied to a technique of investing by tracking/mirroring the performance of an index of assets. There are a number of techniques managers use to track the performance of an index and whilst the aim is to mirror performance as closely as possible it is difficult to track the performance of an index completely. It typically is lower cost than active management.

Savings Phase	The period in which members are investing their pre-retirement savings
Securities Lending	A programme of lending securities from one party to another in an attempt to generate additional returns.
’Free-Choice’ options	The range of investment choices from which members can select their own investment arrangements
Spending Phase	The period in which members are investing and drawing-down their benefits post-retirment
Smart Beta	Smart beta involves some aspects of both active and passive management. It aims to use active management techniques in a systematic way in order to either outperform or reduce risk relative to a traditional index in a lower cost manner than active management, the systematic and cost elements being more akin to passive management. Smart beta can include a broad set of investment strategies that use alternative index construction rules to traditional market capitalization-based indices.
Underlying Funds	The investment vehicles underlying white-labelled LifeSight investment fund range
White-labelled Fund	A generic fund offered to members, which allows the Underlying Funds used to be changed more easily.