The Northern Trust (UK) Pension Plan

Statement of Investment Principles

October 2023

1 Introduction

1.1 This document constitutes the Statement of Investment Principles ("the Statement") applicable to The Northern Trust (UK) Pension Plan ("the Plan"). It has been prepared in accordance with Section 35 of the Pensions Act 1995 ("the Act"), including the amendments laid down in the Pensions Act 2004. Before preparing this document, the Trustee has consulted the employer and the Trustee will consult the employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.2 In drawing up this document, the Trustee has sought advice from the Plan's investment adviser. The Trustee will review this document usually once a year, or where the Trustee considers a review is needed. Before preparing this document the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in its investment policy. The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is reasonable.

1.3 When choosing investments, the Trustee Board and the investment manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 and in principles contained in this statement.

1.4 The Plan was established by The Northern Trust Company on 1 September 1969. The Plan's benefits are mostly provided on a money purchase (defined contribution) basis for individual Plan members although for some members, final salary benefits are provided. The Plan's assets are held under the legal control of the Plan's trustee company, the Northern Trust Company (UK) Pension Plan Limited, ("the Trustee") under a trust constituted between the Principal Employer, Northern Trust Management Services Ltd ("the Company"), and the Trustee. The operation of the Plan is governed by the Trust Deed and Rules dated 1 October 2007 and any subsequent Deeds of Amendment.

1.5 The purpose of this Statement is to document those investment principles, guidelines and procedures that are appropriate for the Plan, in accordance with the Trustee's investment powers and permitted investments under the Plan's Trust Deed and Rules. The defined contribution and defined benefit sections are considered in separate sections within this Statement.

1.6 The Trustee is responsible for all aspects of the operation of the Plan including this Statement. The Company has confirmed in writing to the Trustee that it has been consulted regarding the contents of this Statement as required by the Act.

1.7 This Statement was formally established by the Trustee with effect from 6 April 1997. It will be regularly reviewed in accordance with the Act. 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. The investment managers shall be authorised under the Financial Services Act and shall provide the skill and expertise necessary to manage the investments of the Fund competently.

1.8 The Pensions Regulator has a number of regulatory tools, including issuing codes of practice to enable it to meet its statutory objectives. Codes of practice provide practical guidelines on the requirements of pensions legislation. The Regulator has launched a revised Code of Practice 13 (CoP13) which incorporates the new freedom and choice retirement flexibilities and new statutory minimum quality standards for all workplace DC schemes. CoP13 sets out the standards of conduct and practice that the Regulator expects trustee boards of occupational pension schemes providing money purchase benefits to comply with their legal duties in the pursuit of good member outcomes. This document has been prepared, taking account of CoP13 and specifically its recommendations relating to the content of Statements of Investment Principles generally.

2 Defined Contribution Section

<u>Specific principles in relation to default arrangements</u>

Default lifestyle

2.1 The Trustee conducted the most recent review of the Plan’s investment strategy in 2023, including membership analysis to understand the risk profile and likely retirement behaviour of the Plan’s membership. The review found that the majority of members are expected to take their benefits as drawdown income rather than annuities and the Default Lifestyle should provide members approaching retirement with an element of capital protection for near-term drawdowns with the remainder being invested in a diversified mix of growth assets with the aim of long-term capital growth.

2.2 When designing and reviewing the investment strategy for the Default Lifestyle, the Trustee has regard to the sustainable investment principles outlined in Section 4 of this Statement in conjunction with their investment adviser via the manager assessment process followed in the selection and retention of investment managers.

Other options considered to be defaults

2.3 Under prevailing legislation some of the Plan’s self-select funds are also considered to be default arrangements due to previous mapping exercises. In such cases, in order to consider the best interests of these groups of members, the Trustee’s policy is to replicate the original choices made by members as closely as possible in order to continue to meet their needs.

The Trustee considers the following investment options to be default arrangements as they all received member assets on a non consent basis:

- Global Equity Passive
- UK Equity Passive
- Property
- Diversified Growth Passive
- UK Bond (Inflation Linked Annuity Target)
- UK Bond (Fixed Annuity Target)
- Cash

<u>General principles in relation to defaults and underlying / self-select options</u>

Investment Objectives

2.4 The Trustee's duty is to act in the members' best interests. One of the Trustee's primary objectives therefore is to make available appropriate investment options to members of the defined contribution section of the Plan, with due consideration to industry best-practice guidelines (including specific guidance from the Pensions Regulator).

2.5 In determining which investment options to make available, the Trustee has considered the investment risk associated with defined contribution pension investment. This risk can be defined as the uncertainty in the ultimate amount of savings available on retirement, which will be either taken out as cash or through income drawdown or used to purchase an annuity that will provide retirement benefits. There are a number of factors which contribute to this uncertainty. Some of these factors (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members.

2.6 The Trustee recognises, however, that the uncertainty inherent in four specific investment risks (inflation, capital, opportunity cost and decumulation mis-match) can be managed to a limited extent by the choice of investments. These risks and the Trustee's objective for each risk are considered under the following headings:

Inflation Risk

2.7 The risk that investments do not provide a return at least in line with inflation, so that the "purchasing power" of the ultimate fund available to provide benefits is not maintained at retirement.

2.8 The Trustee's objective is to provide an investment option that is expected to provide a long-term rate of return that exceeds inflation. Such an option would largely consist of equity-type / growth investments.

Capital Risk

2.9 The risk that the monetary value of a member's account falls.

2.10 The Trustee's objective is to provide an investment option that offers a very low risk of capital loss. A cash deposit fund is an example of such an option.

Decumulation Mis-match Risk

2.11 The risk that investment allocations in the years just prior to retirement do not match members' retirement objectives, exposing members to inefficient or uncertain outcomes.

2.12 The Trustee's objective is to provide a range of investment options that allow members sufficient flexibility to meet their varying objectives,

Opportunity Cost Risk

2.13 The risk that members end up with insufficient funds at retirement with which to secure a reasonable income - "shortfall" or "opportunity cost" risk.

Trade-Off Between Risks

2.14 The relative importance of inflation, capital, opportunity cost and decumulation mis-match risk depends on the length of time to retirement and each member's attitude to risk and expected return. Managing decumulation mis-match and/or capital risks is important near retirement, whereas the inflation risk should be far more important to younger members.

2.15 It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in a cash deposit fund will give protection against a decrease in fund values (capital risk), but will increase the risk of ending up with insufficient funds at retirement (opportunity cost risk).

Member Investment Options

2.16 Based on the Trustee's objectives for the defined contribution section as described previously, the Trustee has selected a range of investment options for members.

2.17 The Trustee offers investment funds to members through a platform offered by FIL Life Insurance Limited (Fidelity).

Diversification

2.18 The range of funds below was chosen to allow members to achieve an adequate level of diversification.

2.19 Furthermore, in certain asset classes and funds (particularly those utilising active management) the Plan utilises multiple asset managers to ensure manager diversification.

Suitability

2.20 The Trustee has taken advice from their investment adviser to ensure the funds offered are suitable for the members.

Liquidity / realisation of investments

2.21 The members' accounts are held in funds that can be realised to provide benefits on retirement, or earlier on transfer to another pension arrangement.

Investment funds

2.22 A list of the Plan’s investment funds, along with the objective for each fund, is shown in the table. It should be noted that Company, member, and Additional Voluntary Contributions may be invested in these funds. Members invested in the self-select investment funds have specifically chosen to invest in each respective fund.

Illiquid assets

2.23 The default arrangements do not include a specific allocation to illiquid assets, although there may be an allocation to illiquid assets within the LGIM Diversified Fund at the discretion of the investment manager. The Trustee’s policy is to invest in assets that are sufficiently liquid to allow them to be realised readily and daily dealt.

2.24 The Trustee does not currently have any plans to invest in illiquid assets in the future, but will keep this policy under consideration should suitable investment opportunities become available in the future.

Fund	Investment / Return Objective
Default Lifestyle Growth Phase	The fund aims to achieve long term capital growth by investing or reinsuring into a mix of passive and active underlying funds managed by Fidelity or their Fund Partners, which primarily invest in the shares of companies around the world alongside diversified exposure to a range of asset classes including bonds, real estate, commodities, hedge funds, high yield debt and private equity.
Global Equity Active	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which primarily invest in the shares of companies around the world.
Global Equity Passive	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which primarily invest in equities, both in the UK and overseas markets.
UK Equity Active	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which primarily invest in the shares of UK companies.
UK Equity Passive	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which primarily invest in the shares of UK companies.
Emerging Markets	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which primarily invest in the shares of companies in emerging markets.
Shariah Equity	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or our Fund Partners, which primarily invest in equities in a shariah compliant manner, both in the UK and overseas.
Listed Property and Infrastructure	The fund aims to achieve long term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund

	Partners, which invest in global property-related and infrastructure-related securities.
Property	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which invest in property and property-related securities.
Diversified Growth	The fund aims to achieve long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which may invest in a range of asset classes in the UK and overseas including equities, bonds, cash/currencies, real estate, commodities, hedge funds, high yield debt and private equity.
Passive Diversified Growth	The fund follows a diversified, risk-controlled investment process, by allocating to a broader and more balanced set of rewarded risks than traditional strategies and by seeking to reduce the probability of large losses from extreme market moves.
UK Bond (Inflation Linked Annuity Target)	The Fund aims to provide diversified exposure to sterling investment grade corporate bonds and index-linked gilts that reflect the broad characteristics of investments underlying the pricing of a typical inflation linked annuity.
UK Bond (Fixed Annuity Target)	The Fund aims to provide diversified exposure to sterling investment grade corporate bonds and gilts that reflect the broad characteristics of investments underlying the pricing of a typical level annuity.
Cash	The fund aims to achieve capital stability and some long-term capital growth by investing or reinsuring into underlying funds managed by Fidelity or their Fund Partners, which invest in a diversified range of money market instruments, other short-term instruments and transferable securities

2.25 While no single option will be sufficient to manage the various risks associated with defined contribution investment as described previously, the range is expected to be wide enough to enable individuals to manage the risks identified as they become relevant, according to each member's individual criteria.

Plan Lifestyle strategies

2.26 The Plan also offers a Lifestyle strategy, which is the default strategy for members. Member's investments in this strategy are automatically switched between different funds as the member approaches retirement to reflect the changing nature of the risks described previously. If members do not indicate which funds they wish their contributions to be invested in, the contributions will automatically be invested in line with the Default Lifestyle.

2.27 A Matrix showing the current Default Lifestyle is provided in Appendix B.

2.28 The Trustee has set the managers the investment objectives of performing in line with the relevant indices or achieving competitive performance returns, depending on whether they are passively or actively managed. The performance of each fund is measured against the appropriate benchmark or long term return target .

2.29 The managers are paid ad valorem fees based on the market value of the assets under management. All of the arrangements utilise pooled vehicles, and consequently the Trustee has no control over the fee structure. However, the managers' fee scales and structures are taken into consideration when reviewing and selecting managers.

2.30 In addition, some members have Additional Voluntary Contributions ("AVCs") invested on a defined contribution basis with the following provider:

- Prudential – With-Profits fund;

This option is closed to new investors.

Risks

2.31 The Trustee recognises that the investment of assets in financial markets results in an exposure to risk. Risk can be defined in a number of ways. The key risks for members' investments were highlighted at the beginning of this section.

2.32 The Trustee will maintain a suitably diverse range of funds, which in turn are considered to be appropriately diverse within their specific objectives. To minimise the risk of any one particular investment having a substantial effect on the Plan's overall investment performance, the Trustee invests the Plan in pooled funds, ensuring members' investments can achieve sufficient diversification and that investments may be readily realisable.

Additional Voluntary Contributions

2.33 The Plan permits members of both the defined contribution and defined benefits sections to provide additional benefits for themselves through the defined contribution investment options by paying Additional Voluntary Contributions.

3 Defined Benefit Section

Investment Objectives

3.1 The Trustee's duty is to act in the members' best interests. The Trustee's primary objective therefore is the maintenance of solvency and control of the risk of insolvency at an appropriate level.

3.2 The Trustee is responsible for ensuring that the investment strategy (i.e. the mix of the Plan's investments between the various asset classes) does not put the payment of promised benefits at undue risk. Some protection of solvency can be achieved by investment in assets that match the term and nature of the liabilities. However, it is not possible to cover every risk that the Plan faces, and hence the protection of solvency also depends on the continued support of the Company, both in terms of its future contributions and its underwriting of the benefit promises.

3.3 The projected long-term cost of the Plan depends in part on the economic and demographic assumptions, together with the valuation method used to fund for the Plan's benefits.

3.4 One of the key economic assumptions is the long-term real rate of return expected to be earned on the Plan's assets. The investment strategy adopted by the Trustee affects the long-term return achieved, which affects the ultimate long-term benefit costs. An investment strategy with a relatively low expected real return might jeopardise the Company's continued support of the Plan, since this strategy would lead to relatively higher anticipated costs.

Scheme Specific Funding

3.5 The Pensions Act 2004 requires that, with effect from the completion of the formal actuarial valuation, the Trustee will maintain a Statement of Funding Principles, stating the methods and assumptions used in calculating the amount required to make provision for the Plan's liabilities, and the manner and period in which any shortfall will be remedied. The Trustee will consult the Scheme Actuary and the Company when deciding upon the appropriate response to any shortfall.

3.6 The Trustee considers that the investment policy described in this Statement is sufficient to support the funding plan and objectives set at the last valuation of the Plan.

3.7 The Trustee will review this investment policy in the light of actuarial valuations and certificates and schedules of contributions produced in order to comply with the Pensions Act 2004.

Investment Policy

3.8 Following an investment strategy review conducted in January 2021, the Trustee refined its scheme specific benchmark to better reflect the Plan's liabilities and Trustee risk appetite. The benchmark allocates the Plan's assets across a Diversified Growth Fund (DGF), and short and longer-dated gilts and is expected to reduce the volatility of the Plan's funding level as well as reduce reliance on the Company in future.

3.9 The long-term benchmark (as of 11 May 2021) is as shown below, with the relevant fund control ranges and benchmarks, where applicable.

Fund ("PF Section")	**Central Benchmark %**	**Control Ranges % +/-**	**Benchmark Index**
Diversified Fund	13.00	1.00	Composite
All Stocks Gilts Index Fund	52.00	2.00	FTSE Gilts (All Stocks)
5-15 Year Index Linked Gilt Fund	5.60	0.50	FTSE A Index-Linked (5-15 Years)
Over 15y Gilt Index Fund	24.50	1.50	FTSE A UK Gilts (Over 15 Years)
All Stocks Index Linked Gilt Fund	4.90	0.50	FTSE A Index-Linked Gilts (All Stocks)
Total	**100.00**		

3.10 The Trustee will monitor the appropriateness of this investment strategy on an annual basis, probably at the time of the annual funding update.

3.11 Legal and General Investment Management (LGIM) has been appointed to manage the Plan's defined benefit assets on an index-tracking (or "passive") basis with the exception of the Diversified Fund. The Diversified Fund's exposure to each asset class will primarily be through investing in passively managed funds, although active management may be used for some asset classes where LGIM believes there is an advantage in doing so.

3.12 The Diversified Fund's objective is to provide long-term investment growth through exposure to a diversified range of asset classes. As such, the fund is expected to have a level of risk which is equivalent to two thirds of the volatility of a global equity portfolio, over the long-term.

3.13 The Plan's defined benefit performance target is to achieve a return that matches that of the respective benchmarks listed above. Its performance target is to achieve a return that matches that of the respective benchmarks listed above. In addition, LGIM has the objective of maintaining the Plan's defined benefit asset allocation within the permitted ranges.

3.14 In order to meet members' statutory Guaranteed Minimum Pension (GMP) entitlement, the Defined Benefit Section may temporarily be allocated members' Defined Contribution Property Fund holdings, which has been suspended since June 2019 due to increases in outflows from an underlying fund. As such, members are unable to invest, sell or switch any assets held in the Property Fund. In cases where the Plan is required to temporarily hold units in the Defined Contribution Property Fund, the fund will be disinvested back into the Defined Benefit Plan when it is possible to do so.

3.15 The risk and return assumptions used in the investment strategy review are as follows:

Summary assumptions for the Willis Towers Watson Investment Model 30 September 2020 (real returns are relative to CPI)

	Arithmetic average year 1 return %pa	Year 1 standard deviation %pa	Arithmetic average long term return %pa	Long term standard deviation %pa	10 year median real return %pa	Standard deviation 10 yr returns %pa
Equity Investments						
Global equities (hedged)	4.8%	22.0%	5.1%	17.3%	2.6%	5.7%
Global equities, ex UK (hedged)	4.9%	22.2%	5.1%	17.4%	2.6%	5.7%
Global equities, ex UK (unhedged)	5.5%	23.7%	5.8%	19.5%	2.9%	6.0%
Global small cap (hedged)	5.4%	25.9%	5.6%	21.4%	2.5%	7.1%
Global low volatility equities (hedged)	3.3%	14.9%	3.9%	11.8%	2.1%	3.9%
Global non-market-cap equities (hedged)	5.2%	21.3%	5.6%	16.8%	3.1%	5.6%
Emerging market equities (unhedged)	7.2%	32.8%	7.4%	27.1%	2.9%	7.9%
Pac Basin equities (unhedged)	5.9%	29.0%	6.2%	24.2%	2.3%	7.1%
UK equities	4.3%	22.7%	4.8%	17.6%	2.1%	5.8%
Global REIT (hedged)	3.1%	19.7%	3.5%	15.4%	1.4%	5.1%
UK property	1.8%	12.7%	2.8%	10.1%	1.1%	3.6%
Private equity fund of funds (hedged)	5.3%	29.9%	5.3%	24.3%	1.4%	7.8%
Private market alpha	8.6%	27.4%	8.7%	21.7%	5.4%	7.1%
Core infrastructure	4.1%	20.1%	4.6%	17.0%	2.2%	5.6%
Listed core infrastructure	3.7%	18.6%	4.1%	15.0%	2.0%	5.0%
Fund of hedge funds (hedged)	1.4%	11.3%	2.0%	7.2%	0.8%	2.5%
Commodities	0.3%	14.6%	1.5%	14.4%	-0.6%	4.5%
Reinsurance	-0.1%	7.8%	1.7%	7.5%	0.8%	4.2%
FX Carry	0.3%	10.1%	1.5%	10.0%	-0.1%	3.2%
Multi assets carry	0.7%	8.1%	1.9%	7.9%	0.5%	2.6%
Multi assets volatility premium	0.7%	8.0%	1.9%	7.9%	0.5%	2.5%
Multi assets value	1.0%	8.9%	2.2%	8.9%	0.7%	2.8%
Merger Arbitrage	1.0%	9.0%	2.2%	9.0%	0.7%	2.9%
Momentum strategy	1.3%	9.9%	2.5%	9.9%	0.9%	3.2%
US Timberland (hedged)	1.5%	11.5%	2.6%	9.5%	1.0%	3.1%
Secure income assets	1.3%	8.8%	2.9%	7.8%	1.0%	2.2%
Active strategies						
Long-Short equity	4.0%	16.5%	4.4%	12.4%	2.7%	4.2%
Macro / GTAA	1.0%	9.9%	2.2%	9.9%	0.6%	3.2%
Bonds and cash						
All stock corporates	-1.5%	9.6%	1.2%	9.5%	-0.8%	1.6%
Long-dated corporates	-1.9%	15.1%	1.5%	13.5%	-1.2%	2.3%
All stock fixed interest gilts	-1.8%	7.0%	0.1%	7.5%	-1.6%	1.4%
Long-dated fixed-interest gilts	-1.5%	10.8%	0.4%	10.9%	-1.3%	2.1%
Ultra long-dated fixed-interest gilts	-0.3%	21.7%	1.8%	21.0%	-1.6%	3.6%
Long-dated index-linked gilts	-1.8%	8.7%	-0.3%	8.6%	-2.5%	1.7%
Ultra long-dated index-linked gilts	-0.3%	17.5%	0.6%	17.8%	-2.2%	3.8%
Overseas bonds (hedged)	-1.6%	4.9%	0.7%	5.2%	-1.3%	1.1%
Overseas bonds (unhedged)	-0.9%	9.4%	1.4%	9.7%	-1.0%	2.0%
US TIPS (hedged)	-2.0%	5.2%	-0.1%	5.4%	-1.8%	1.0%
Cash	-1.4%	1.3%	-0.2%	1.4%	-1.4%	0.6%
High yield bonds (hedged)	-1.7%	13.9%	2.4%	11.8%	-0.3%	2.5%
Emerging market debt aggregate	-0.6%	12.0%	2.3%	11.9%	-0.1%	2.8%
Leveraged loans (hedged)	-1.2%	10.3%	1.8%	7.3%	0.3%	1.5%
Asset-backed securities (ABS) (hedged)	-1.3%	8.4%	1.3%	6.0%	-0.1%	1.4%
AAA rated CLOs	-0.3%	2.8%	0.2%	2.7%	-0.6%	0.8%
Emerging market cash fund (unhedged)	0.3%	6.0%	1.5%	5.8%	0.2%	1.8%
Global sovereign credit	-0.7%	10.1%	1.9%	10.0%	-0.4%	2.3%
Diversity fund	1.3%	8.1%	2.7%	7.0%	1.3%	2.3%
Global credit (hedged)	-1.8%	6.8%	1.2%	7.0%	-1.1%	1.3%
Global credit (unhedged)	-1.2%	10.5%	2.0%	10.8%	-0.8%	2.1%
Inflation (RPI)	2.4%	2.1%	2.0%	2.5%	2.4%	1.2%
Inflation (CPI)	1.4%	1.5%	1.7%	2.0%	1.6%	1.1%
Long swap relative to ILG	-0.3%	5.7%	-0.2%	7.3%	-0.5%	0.6%

Risk

3.16 The Trustee appreciates that the investment of assets in financial markets results in an exposure to risk. Risk takes many forms and the Trustee recognises the following:

- Solvency risk and mismatching risk - are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies. They are managed through the asset allocation strategy and through ongoing triennial actuarial valuations.
- Manager risk - is measured by the expected deviation of the manager's risk and return relative to the investment policy. It is addressed through the ongoing monitoring of the manager.
- Liquidity risk - is measured by the level of cashflow required by the Plan over a specified period. It is managed by the Trustee together with the Plan's administrators who monitor the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- Political risk - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention. It is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Sponsor risk - is measured by the level of ability and willingness of the Sponsor to support the continuation of the Plan and to make good any current or future deficit. It is managed by assessing the interaction between the Plan and the Sponsor's business, as measured by a number of factors, including the creditworthiness of the Sponsor and the size of the pension liability relative to the financial strength of the Sponsor.

3.17 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need to allow the investment manager sufficient flexibility to manage the assets in such a way as to achieve the required performance target.

3.18 Disinvestment procedures from LGIM for the defined benefit section are similar to those described for the defined contribution section.

Diversification

3.19 The choice of benchmark and the ranges specified in 3.9 above are designed to ensure that the investments are adequately diversified. As the Plan invests via pooled funds the Trustee is not in a position to ensure the assets are diversified within asset classes. However, this issue will feature in the selection criteria for new managers and monitoring process for ongoing managers.

Suitability

3.20 The Trustee has taken advice from their investment adviser to ensure that the benchmark and the ranges specified above are suitable for the Plan given its liability profile.

4 Policy Monitoring and Review

Review of the Statement

4.1 This document shall be reviewed, at least every 3 years, or immediately after any significant change in investment policy. Such review and reasons for a review shall take into account:

- a fundamental change in the benefits provided by the Plan;
- a change in the liability profile of the Plan;
- significant revisions to the expected long-term trade-off between risk and reward on key asset classes;
- a major development in the investment products available;
- changes to the managers used;
- shortcomings of the Statement that emerge in its practical application;
- applicable changes in legislation;
- underperformance by the investment managers.

Monitoring Investment Arrangements

4.2 The Trustee expects the investment managers to maintain appropriate monitoring systems to ensure compliance with any relevant investment manager agreements. The Trustee will monitor the performance and the composition of the Plan's assets. Furthermore, the Trustee will monitor factors (such as each manager's internal processes and staff movements) which may impact the performance of the Plan's assets in the future. In particular, this monitoring will normally include:

- quarterly independent performance measurement relative to indices and other similar funds;
- attendance of a consultant at Trustee meetings, on no less than an annual basis, to provide independent comment on the investment managers; and
- meetings with the investment managers as appropriate.

4.3 The investment management structure and the investment managers shall be reviewed periodically and at such time as considered appropriate.

4.4 The Trustee shall regularly review the nature of the funds in which the Plan is invested and consider all relevant factors in determining whether the associated risks and funds highlighted in this Statement remain appropriate.

Sustainable investment and Stewardship

4.5 The Trustee considers long-term sustainable investment to be an important and relevant financially material issue to consider throughout the investment process.

4.6 The Trustee’s focus is on financial outcomes and therefore the Trustee’s policy at this time is not to take into account members’ views on non-financial matters in the selection, retention and realisation of investments.

4.7 In particular, 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, including climate change, and stewardship.

4.8 The Trustee considers the following areas to be a priority for stewardship activity:

- Climate change
- Diversity, equity and inclusion

The Trustee monitors investment manager stewardship activity in relation to these priority areas.

4.9 The Trustee therefore believes that financially material ESG considerations and stewardship are important aspects of responsible financial risk management in order to protect and enhance the value of investments and should improve long-term member financial outcomes.

4.10 The Trustee's policy is that day-to-day decisions relating to the investment of the Plan's assets is left to the discretion of the investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee periodically explores these issues with its advisers to understand how the investment managers exercise these duties in practice and may request information from its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers

4.11 When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment adviser, looks to take account of the approach taken by managers with respect to sustainable investing including engagement and voting policies where relevant.

4.12 The Trustee's policy is to delegate responsibility for stewardship activities attaching to investments (including voting rights and engagement activities) to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages its investment managers, via its investment adviser, to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

Arrangement with Investment Managers

4.13 The Plan uses different Investment Managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, the investment options are consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. These considerations also apply in the appointment process of new investment managers and arrangements.

To maintain alignment, Investment Managers are provided with the most recent version of this Statement of Investment Principles on a periodic basis to ensure managers are aware of the Trustee's expectations regarding how the Plan's assets are being managed.

Should the Trustee's monitoring process reveal that an Investment Manager's fund is not aligned with the Trustee's policies, the Trustee will engage with the Investment Manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the fund and the Investment Manager's engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Trustee may consider alternative options available in order to consider terminating and replacing the Investment Manager. The Trustee will also consider the cost impact of making any changes to ensure proportionality.

4.14 For most of the Plan's investment funds, 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 select certain investment funds where such engagement is not proportionate, due to the nature of the strategy and/or the investment time horizon underlying decision making.

4.15 The Trustee appoints its Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing an Investment Manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an Investment Manager's appointment based purely on short term performance. However, an Investment 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. The Trustee also recognises that individual Investment Manager constituents of a blended fund may experience periods of underperformance, however the Trustee will have greater regard for the performance of the overall blended fund.

Investment Managers are paid an ad valorem fee, 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, with the help of the Investment adviser, will be putting in place a process ahead of producing the Implementation Statement to review the costs associated with portfolio turnover incurred in managing the Plan's assets. In assessing the appropriateness of the portfolio turnover costs in the context of an Investment Manager's strategy, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate. The Trustee will periodically engage with Investment Managers on this subject and request relevant costs and charges reporting.

A Division of Responsibility

Investment Managers

The investment managers' responsibilities include:

- For active managers at their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class. For the passive manager, tracking the relevant benchmark return within an appropriate tracking error
- Providing the Investment adviser via Fidelity, where appropriate and on behalf of the Trustee, with quarterly statements of the assets along with notification of significant actions and future intentions, and any changes to the investment processes applied to their portfolios
- Informing the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Plan and managed by the Investment Manager or an associated company.

Investment adviser

The role of the Investment adviser is to give advice to the Trustee in the following areas:

- the formulation of an efficient governance structure in the light of good practice guidance
- the regular updating of the Statement of Investment Principles
- the development of a clear investment strategy for the Plan
- the asset-liability modelling process
- the construction of a strategic asset allocation benchmark given the liabilities of the Plan and the risk and return objectives of the Trustee
- the construction of an overall investment management structure that meets the objectives of the Trustee
- the selection and appointment of appropriate investment management organisations
- the Consultant's current views of the Investment Managers employed by the Plan
- potential new areas or tools of investment
- commentary on investment performance and risk taken by the Managers
- trustee education
- general advice in respect of the Plan's investment activities.

Fixed fees may be agreed for certain projects. Otherwise fees will be calculated by reference to the time spent on any particular assignment multiplied by the relevant charge-out rates applying to partners and staff who provided the services in question.

Scheme Actuary

The Scheme Actuary's responsibilities include:

- liaising with the Investment adviser on the suitability of the Plan's investment strategy given the financial characteristics of the Plan
- assessing the scheme specific funding position of the Plan and advising on the appropriate response to any shortfall
- performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

B Defined Contribution Planned Lifestyle Matrix

The current Default Lifestyle switching matrix is provided below. The table shows the percentage distribution of a member's investment between different investment funds at various time periods from the member's target retirement date. Actual Lifestyle switching is conducted on a quarterly basis.

Years to Retirement	Default Lifestyle Growth Phase Fund	Active Diversified Growth Fund	Cash Fund
20+	100.0%	0.0%	0.0%
19	95.0%	5.0%	0.0%
18	90.0%	10.0%	0.0%
17	85.0%	15.0%	0.0%
16	80.0%	20.0%	0.0%
15	75.0%	25.0%	0.0%
14	70.0%	30.0%	0.0%
13	65.0%	35.0%	0.0%
12	60.0%	40.0%	0.0%
11	55.0%	45.0%	0.0%
10	50.0%	50.0%	0.0%
9	45.0%	55.0%	0.0%
8	40.0%	60.0%	0.0%
7	35.0%	65.0%	0.0%
6	30.0%	70.0%	0.0%
5	25.0%	75.0%	0.0%
4	20.0%	80.0%	0.0%
3	15.0%	80.0%	5.0%
2	10.0%	80.0%	10.0%
1	5.0%	77.5%	17.5%
0	0.0%	75.0%	25.0%

The Trustee believes that the Default Lifestyle is suitable for members who do not take investment decisions on their own account. The typical retirement behaviour of these members is likely to be mixed which is reflected in the retirement target of the Default Lifestyle.