

# UBS (UK) Pension and Life Assurance Scheme

## Annual statement regarding governance

The UBS Pension Trustee Company Limited (the 'Trustee') of the UBS (UK) Pension and Life Assurance Scheme (the 'Scheme') is required to prepare a statement (the 'Statement') on governance and include it in its annual report and accounts<sup>1</sup>. This Statement relates only to the Defined Contribution ("DC") Sections of the Scheme (the UBS ValueFlex Section and the SBC Defined Contribution Section) and has been prepared by the Trustee, with input from Mercer. Mercer provides the Trustee with pensions and investment consulting services.

This Statement covers the period from 1 July 2022 to 30 June 2023 (the "Scheme Year") and describes how the governance requirements have been met in relation to:

1. The investment options in which members' funds are invested (the Scheme's default investment options, additional lifestyle option and freestyle fund range);
2. The requirements for processing financial transactions;
3. The charges and transaction costs borne by members; including an illustration of the cumulative impact of transaction costs and charges;
4. Value for members assessment, including the net return on investments; and
5. Trustee knowledge and understanding.

This statement is published, as required by the Administration Regulations, on a publicly available website (<https://epa.towerswatson.com/accounts/ubs/>). This website is also referred to in members' annual benefit statements along with details on how members can locate the relevant costs and charges information.

### 1. Default investment options

The Scheme is used as a Qualifying Scheme for auto-enrolment. Members who join the Scheme and do not choose an investment option are placed into the current Primary Default investment option. The Scheme also has a number of additional default options.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default investment options.

Details of the objectives and the Trustee's policies regarding the default investment options can be found in the Statement of Investment Principles (the 'SIP'). In accordance with the Administration Regulations, the Trustee has appended to this Statement the latest copy of the DC Section of the SIP prepared for the Scheme<sup>2</sup> (see Schedule B). The SIP also states why the Trustee believes the default investment options are designed in members' best interests.

#### *Primary Default investment option*

The "Primary Default" investment option for the DC Sections of the Scheme is currently the Lifestyle Targeting Income Drawdown Strategy. Prior to 1 September 2021, the Primary Default was the Lifestyle Targeting an Annuity Strategy. As a result of the last review of the default investment options, completed in February 2021, the Trustee Board decided to change the Primary Default to Lifestyle Targeting Income Drawdown Strategy.

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<sup>1</sup> Under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (the 'Administration Regulations').

<sup>2</sup> The SIP has been produced in compliance with Section 35 of the Pensions Act 1995 and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations') as amended.

Additionally, as part of the last review of the default investment options, the Trustee Board decided to introduce a 100% allocation to equities in the form of the Global Blended Equity Fund into the earlier years for all Lifestyle investment strategies – with a gradual switch to the Growth Fund starting when the member reaches 25 years from their Target Retirement Date (TRD).

The above changes were implemented on 1 September 2021.

The Primary Default, which initially invests 100% in equities, aims to provide growth in line with equity markets in the earlier years of a member's working life. As a member's pension pot grows, investment risk will have a greater impact on member outcomes. Therefore, the default investment option aims to reduce investment risk as the member approaches retirement, relative to how they intend to take their benefits. These risks are managed via automated lifestyle switches over the 25 year period prior to a member's Target Retirement Date. During these later years, the Primary Default invests in a combination of equities, property, corporate bonds, emerging market debt and cash, with the expectation of lower volatility than equity investments but still seeking to provide some protection against inflation erosion. The Primary Default does not invest in any assets that are subject to a performance-based fee.

The Trustee recognises that:

- The Primary Default should manage investment and other risks through diversified strategic asset allocation. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments is intended to reduce risk and to contribute to more efficient portfolio management.
- In designing the Primary Default, explicit consideration needs to be given to the trade-off between risk and expected returns.
- Consideration needs to be given to the balance of investments to be held in the Primary Default, including the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate. The Trustee has used modelling where appropriate in considering the combined effects of allocations.
- Members may wish to alter their retirement plans and, hence, the arrangements need to be flexible, allowing them the option of choosing their own investment strategy or an alternative lifestyle strategy on joining, or any time they wish.

#### *Ongoing regular monitoring of the Primary Default*

In addition to the regular reviews of the investment strategy, the Trustee also reviews the performance of the Primary Default against its stated aims, objectives and policies on a quarterly basis. This review includes an analysis of the performance of the component funds underlying the lifestyle strategy to check that the risk and return levels (after a deduction of charges relating to investments) meets expectations. The Trustee also reviews member activity on a quarterly basis, including changes in member investment choices. The investment reviews are undertaken by the Investment Committee and the member activity reviews are undertaken by the Administration & Rules Committee. Both committees submit a summary report to the quarterly Trustee Board meetings. The Trustee's reviews that took place during the Scheme Year concluded that the Primary Default was performing as expected and was consistent with its aims and objectives as stated in the SIP.

#### *Legacy Default investment option*

When the above mentioned changes were made to the Primary Default in 2021, the Trustee Board also decided that members who were fully invested in the Primary Default but were within four years from, or past, their target retirement date, would be maintained in Lifestyle Targeting an Annuity Strategy, which has thereafter been known as the "Legacy Default".

The Legacy Default investment option is managed and monitored in the same way described above for the Primary Default.

The component funds of the Legacy Default are the Global Blended Equity Fund, the Growth Fund, the Pre-Annuity Fund and the Cash Fund. As the Global Blended Equity Fund, the Growth Fund and the Cash Fund constitute the components of the Primary Default, these funds are regularly reviewed in line with the suitability of the wider default options. The Pre-Annuity Fund is reviewed in depth on a biennial basis.

#### *Other default investment options*

The Trustee notes that there are other arrangements within the Scheme that are also classified as default arrangements as a result of past investment changes where members' funds have been transferred without the members expressing a choice or where the arrangement was previously a default. The Global Blended Equity Fund and the Cash Fund are additional default arrangements due to previous restructuring activity undertaken by the Trustee, which is detailed in the SIP.

Further information regarding the aims, objectives and policies in relation to these additional defaults can be found in the SIP.

#### *Global Blended Equity Fund and Growth Fund*

The 2022 review of the Global Blended Equity Fund and Growth Fund, the growth phases of all the lifestyle options, was completed in March 2023. The review, having considered a number of additional asset classes, concluded that no changes to the funds' strategic asset allocation were warranted at that time.

The 2023 review of the funds, which included consideration of further illiquid investments, took place in June 2023. It reconfirmed the earlier conclusion that no changes were necessary.

#### *Freestyle Fund Range*

All members have the right to choose their own investment funds, and thus asset allocation, from the Scheme's Freestyle Fund Range, particularly if they consider that the Primary Default option is not suitable for their requirements. Members should therefore consider the Primary Default option, the other lifestyle options and the Freestyle investment fund options available to them to determine which strategy, fund, or combination of funds is the most suitable for them. The Trustee is unable to provide advice to members in this respect and actively encourages members to seek independent financial advice if they need support with their investment choices.

The Trustee considers trends in the DC market and advice from its advisers when making decisions regarding the fund range. The Trustee reviewed the Freestyle Fund Range during the previous Scheme year, in February 2022. The Trustee believes that the differentiated range of funds offered in the Freestyle Fund Range provides members with a broad range of asset classes and management styles. In addition to this, the fund range is of high quality, with all the underlying funds rated by Mercer's Manager Research Team. This concurs with the Value for Members assessment which is undertaken on an annual basis. The Trustee concluded that the Freestyle Fund Range remains suitable, however a number of changes were agreed as part of the review. All of the following changes took place over the Scheme Year:

#### *Multi-Asset Fund*

The underlying investment fund of the Multi-Asset Fund was changed from abrdn Global Absolute Return Strategies Fund to the Fulcrum Diversified Core Absolute Return Fund, in July 2022.

#### *Developed World Fundamentally Weighted Equity Tracker Fund*

The Developed World Fundamentally Weighted Equity Tracker Fund was removed from the Freestyle Fund Range in November 2022, with assets transferred to the Global Blended Equity Fund by default.

### *Global Equity Impact Fund*

A new fund, the Global Equity Impact Fund, was introduced to the Freestyle Fund Range in November 2022. The Wellington Global Impact Fund was selected by the Trustee as the underlying investment fund.

### *Fund Name Changes*

A number of funds were renamed in November 2022:

- Sustainable Global Equity Fund to Climate Aware World Equity Fund
- Pre-Retirement Fund to Pre-Annuity Fund
- Emerging Markets Debt Fund to Emerging Markets Debt Tracker Fund

### *Taking members' views into account*

The Trustee has incorporated the views of members where possible with respect to the fund range offered. For example, after polling the active membership on their views on ESG funds, the Trustee decided to add the Sustainable Equity Fund (now named the Climate Aware World Equity Fund) as an option in the Scheme's Freestyle Fund Range. In a subsequent active member survey in 2021, members mostly expressed satisfaction with the fund range. Some members requested more alternative funds and the Investment Committee carefully considered this but concluded that such funds were not suitable for members or did not have widespread appeal.

## **2. Requirements for processing core financial transactions**

The Trustee concludes that core financial transactions were processed promptly and accurately over the Scheme Year. This conclusion is based on assurances received from the Scheme's administrator, Willis Towers Watson ('WTW' or the 'Administrator'), and on the steps it took to try and ensure that there were adequate internal controls in place. These controls include the maintenance of the Scheme's Risk Register and the Schedule of Contributions, and the agreement of Service Level Agreements with the Administrator. Core financial transactions include the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

The Scheme's Risk Register outlines the risks to the Scheme. The Risk Register details the controls that the Trustee has put in place, including with its Administrator, to manage these risks. An example of this is ensuring that WTW performs monthly unit reconciliations with Mobius Life (the investment platform provider) and this is reflected in the quarterly reports that are reviewed by the Administration & Rules Committee. Each Committee reviews its section of the Risk Register every quarter to ensure it remains fit for purpose and appropriate, and conducts a deep dive review annually. The Risk & Audit Committee additionally reviews the full Risk Register and each Committee's risk discussions and highlights any issues of concern, from its perspective, to the Board on a quarterly basis.

The Schedule of Contributions sets out timescales for UBS AG to remit monthly contributions to the Scheme. However, agreed practice provides for payment of contributions on much shorter timescales. The deduction and payment of contributions are reviewed by the in-house pension team on a monthly basis and by the Trustee on a quarterly basis through the Administration & Rules Committee.

The Scheme has Service Level Agreements ('SLAs') in place with the Administrator, which cover the accuracy and timeliness of all core financial transactions. The SLAs are comprehensive and include key target service levels for all core transactional areas including the reconciliation and investing of contributions, reconciliation of units, investment switches, transfers, retirements, and other benefits (such as partial transfers and early transfers out).

Items in the SLAs include:

- DC contributions reconciliation and investment – 3 working days following receipt of contributions;
- Processing of DC switches – 5 working days;
- DC disinvestments – 5 working days; and
- Transfer quotes – 10 working days.

The Administrator has dedicated teams of specialised pensions staff assigned to manage the Scheme, with a focus on accurate and timely processing of transactions. This includes daily checking of bank accounts, including cash requirements, clear segregation of duties, and a robust checking and authorising process for ensuring accuracy when processing transactions. A full detailed breakdown of the SLAs, and performance against them, is provided to the Trustee in the quarterly Administration Report.

As part of a wider review of the Administrator, the Trustee receives the Administrator's assurance report on internal controls as part of the annual Scheme audit. The most recent covering the period 1 October 2021 to 30 September 2022 noted that controls were suitably designed and those tested operated effectively. A bridging letter was provided to confirm that this report was still valid to 31 December 2022

Overall, the Trustee is satisfied that the Administrator's controls regarding the processing of transactions promptly and accurately functioned well during the year and there have been no material administration errors in relation to the processing of core financial transactions. The Trustee is satisfied that the Administrator was operating within the agreed SLAs. A break-down of the core financial transactions for both sections of the Scheme for the period of the reporting year to 30 June 2023 is provided below:

- Transfer out payments – 95% within SLA (target of 90%);
- Retirement settlements – 95% within SLA (target of 92%);
- Investment Switches – 100% within SLA (target of 92%);
- Contribution Investment – 100% within SLA (target of 100%).

Information was not made available from the providers of the Additional Voluntary Contribution ("AVC") policies regarding service level agreements and in particular their performance relating to core financial transactions. The Trustee will continue to engage with the AVC providers on an ongoing basis and will provide this information with regards to the assessment of core financial transactions of the AVC providers when made available on the publicly available website, (<https://epa.towerswatson.com/accounts/ubs/>).

The Trustee has appointed Mobius Life to provide investment platform services to the Scheme. The auditor to the Scheme is KPMG LLP. The Trustee regularly assesses the performance of professional advisers, the board, the committees, the directors and the in-house pension team and conducts periodic market reviews to ensure advisers offer the requisite skills and advice.

### **3. Charges and transaction costs**

As required by the Administration Regulations, the Trustee reports on the charges and transaction costs for the investments used in the default investment options as well as funds available to members in the Freestyle Fund Range. This includes the Trustee's assessment of the extent to which the charges and costs represent good value for members.

The Trustee is required to set out the on-going charges borne by members in this Statement. These charges, also known as the total expense ratio ("TER"), are a measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of management fees and additional variable expenses that the investment manager incurs in operating the underlying fund, such as fees to auditors, custodians and accountants and other operational expenses. The TER is paid by the members and is reflected in the unit price of the funds. It does not include transaction costs incurred within the fund, which are covered later in this section.

The Trustee is also required to disclose transaction cost figures that are borne by members separately. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds. At the time of writing this Statement we were missing transaction costs for the following AVC funds - Phoenix Life Deposit Fund and Phoenix Life Managed Fund. We continue to request this missing information.

The charges and transaction costs have been supplied by Mobius Life, the Scheme's investment platform provider. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

### Charges

Charges relating to investment management (TER) are deducted from the funds in which Scheme members are invested. All other costs associated with running the Scheme, including administration, investment platform, advisory and member communication costs are paid by the Scheme itself, and ultimately by UBS. The only exceptions are legacy AVC arrangements where members will also incur some administration expenses.

The Scheme complies with the regulations on charge controls introduced from April 2015. Specifically, the Scheme's default investment options have a TER that is well below the charge cap of 0.75% p.a.

The Scheme provides details of the fund costs borne by members in three forms – the annual management charge ("AMC"), TER, and transaction costs. The AMC is the fee applied by the investment manager for managing the individual funds. The TER will be the same or higher as it also includes additional costs met by the fund, as outlined previously. The transaction costs provided include the underlying investment manager's transaction costs within a fund, including commissions and stamp duty.

The following paragraphs provide details on the charges applicable to the funds in the Primary and Legacy Default investment options, as well as a summary of the charges across the funds in the Freestyle Fund Range that applied over the Scheme Year.

### **Primary Default: Lifestyle Targeting Income Drawdown Strategy**

The Primary Default, the Lifestyle Targeting Income Drawdown Strategy, invests in three funds – the Global Blended Equity Fund, the Growth Fund and the Cash Fund. It is important to note that for members invested in a lifestyle strategy the fees change over a member's working lifetime depending on the member's position in the relevant lifestyle. We provide more detail about the charges for each of the underlying funds below.

#### *Global Blended Equity Fund*

The Global Blended Equity Fund is a bespoke 'fund of funds' aiming to provide long term capital growth by investing in the stocks and shares of a range of companies listed across the globe. This fund can also be invested in on a Freestyle basis.

The Trustee undertakes an annual review of the Global Blended Equity Fund, which is used in the growth phase of the default lifestyle investment options. This review took place in June 2023, with the Trustee concluding that the Global Blended Equity Fund structure and the use of the Global Blended Equity Fund within the default investment options continued to be appropriate.

The strategic long-term asset allocation of the Global Blended Equity Fund as at the Scheme Year end is shown in the table below which also shows the annualised charges and transaction costs for the relevant funds; figures are as at 30 June 2023 unless stated otherwise.

Target % of Total <sup>(a)</sup>	Asset Class	Active/Passive/Passive Plus	AMC (% p.a.)	TER (% p.a.)	Transaction Costs (%) <sup>(c)</sup>	Fund
30	Climate Aware Equities	Passive Plus	0.07	0.07	0.03	UBS AM Climate Aware World Equity Fund
45	Climate Aware Equities GBP Hedged <sup>(d)</sup>	Passive Plus	0.08	0.08	(d)	UBS AM Climate Aware World Equity Fund GBP Hedged
10	Emerging Markets Equities	Active	0.60	0.65	0.09	Emerging Markets Equity Fund
15	Small Cap Equities	Passive	0.13	0.13	0.06	Smaller Companies Equity Tracker Fund
<b>100</b>	<b>Total</b>	<b>Mixed</b>	<b>0.14<sup>(b)</sup></b>	<b>0.14<sup>(b)</sup></b>	<b>0.08</b>	

<sup>(a)</sup> Represents the long-term asset allocation target.

<sup>(b)</sup> This is the actual figure for the current Scheme Year, this will vary each year depending on the actual underlying fund allocation.

<sup>(c)</sup> The transaction cost figures shown cover the period 1 July 2022 to 30 June 2023.

<sup>(d)</sup> This fund had no direct member holdings over the year to 30 June 2023, therefore there is no separate allocation of transaction costs

### Growth Fund

The Growth Fund is a bespoke 'fund of funds' aiming to achieve capital growth via investment in return-seeking asset classes such as equities. This fund can also be invested in on a Freestyle basis.

The Trustee undertakes an annual review of the Growth Fund, which is used in the growth phase of the lifestyle investment options. This review took place in June 2023, with the Trustee concluding that the Growth Fund structure and the use of the Growth Fund within the default investment options continued to be appropriate. The previous annual review took place in May 2022 with follow up analysis on potential additions to the Growth Fund undertaken during 2022 with the conclusion in March 2023. These conclusions are noted above on page 3.

The long term strategic asset allocation of the Growth Fund as at the Scheme Year end is shown in the table below which also shows the annualised charges and transaction costs for the relevant funds; figures are as at 30 June 2023 unless stated otherwise.

Target % of Total <sup>(a)</sup>	Asset Class	Active/Passive/Passive Plus	AMC (% p.a.)	TER (% p.a.)	Transaction Costs (%) <sup>(d)</sup>	Fund
18	Climate Aware Equities	Passive Plus	0.07	0.07	0.03	UBS AM Climate Aware World Equity Fund
27	Climate Aware Equities GBP Hedged <sup>(e)</sup>	Passive Plus	0.08	0.08	(e)	UBS AM Climate Aware World Equity Fund GBP Hedged
6	Emerging Markets Equities	Active	0.60	0.65	0.09	Emerging Markets Equity Fund
9	Small Cap Equities	Passive	0.13	0.13	0.06	Smaller Companies Equity Tracker Fund
25	Corporate Bonds	Active	0.15 - 0.20	0.17 - 0.23	-0.09	Composite <sup>(b)</sup>
10	Emerging Market Debt	Passive	0.15	0.15	0.04	Emerging Markets Debt Tracker Fund
5	UK Property	Active	0.66	0.73	0.30	UK Property Fund
100	<b>Total</b>	<b>Mixed</b>	<b>0.17<sup>(d)</sup></b>	<b>0.19<sup>(d)</sup></b>	<b>0.08</b>	

<sup>(a)</sup> Represents the long-term asset allocation target.

<sup>(b)</sup> The actual AMC and TER will depend on the actual underlying fund allocations. The underlying allocations are a composite of the M&G All Stocks UK Sterling Corporate Bond Fund and the Royal London All Stock Corporate Bond Fund.

<sup>(c)</sup> This is the actual figure for the current Scheme Year, this will vary each year depending on the actual underlying fund allocation.

<sup>(d)</sup> The transaction cost figures shown cover the period 1 July 2022 to 30 June 2023.

<sup>(e)</sup> This fund had no direct member holdings over the year to 30 June 2023, therefore there is no separate allocation of transaction costs

### Cash Fund

The Cash Fund is used within the Primary Default as members are expected to withdraw a cash lump sum at retirement. It is also available on a Freestyle basis for members who do not wish to be exposed to the risk inherent in investment markets. However, over the long term, cash is likely to underperform investment markets and inflation.

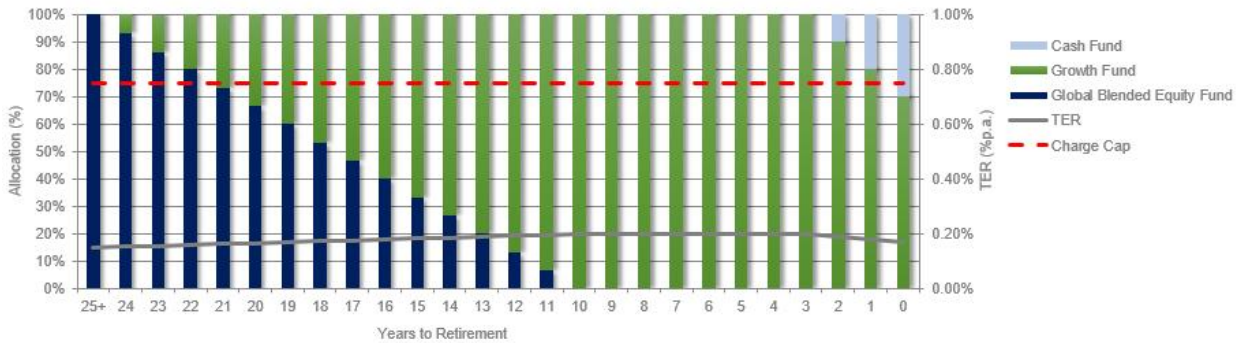
- The underlying fund is actively managed by BlackRock.
- The fund invests predominantly in short-term UK Government bonds, notes and bills; typically investing in securities with a maturity date of less than six months in the future.
- The fund aims to produce a moderate level of income on investments consistent with maintaining capital and ensuring that the underlying assets, in which the Fund invests, can easily be bought or sold in the market (in normal market conditions).
- The AMC and TER are both 0.10% per year (as at 30/06/2023).

### Investment switching in Primary Default

The Primary Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their Target Retirement Date. This means that the level of charges and transaction costs will vary depending on how close members are to their Target Retirement Date.

The following chart shows how allocations to the three funds noted below, that are used in the default investment option, are adjusted as the member approaches their Target Retirement Date.





**Legacy Default: Lifestyle Targeting an Annuity Strategy**

Since 1 September 2021, the Legacy Default has been the Lifestyle Targeting an Annuity Strategy. Members’ assets are automatically moved between different investment funds as they approach their Target Retirement Date. This means that the level of charges and transaction costs will vary depending on how close members are to their Target Retirement Date.

The Legacy Default uses the same funds as the Primary Default, albeit in different proportions in the later stages, with the addition of the Pre-Annuity Fund

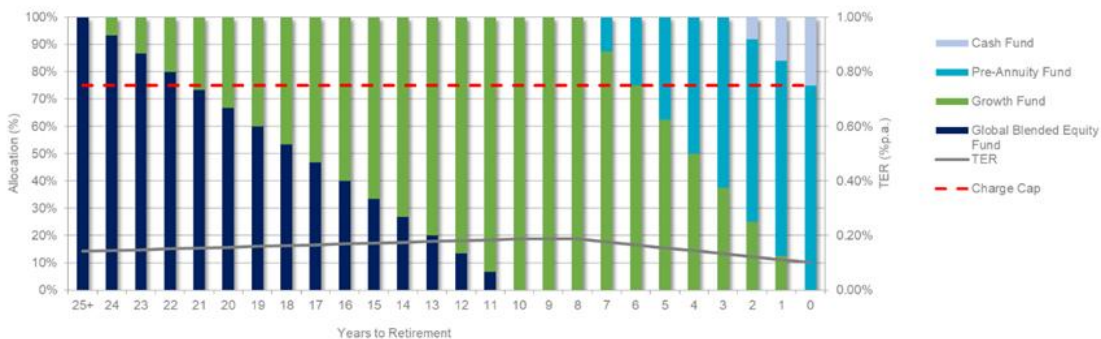
**Pre-Annuity Fund**

The Pre-Annuity Fund is designed for members who are looking to purchase a level annuity at retirement and would like to reduce the variability of the amount of annuity (pension) they can purchase as they approach retirement. This fund can also be invested in on a Freestyle basis.

- The underlying fund is actively managed by BlackRock.
- The fund invests in government, corporate and quasi-government bonds.
- The fund aims to outperform a benchmark designed to reflect changes in long-term fixed annuity prices.
- The AMC is 0.10% per year and the TER is also 0.10% per year (as at 30/06/2023).

**Investment switching in Legacy Default**

The following chart shows how allocations to the four funds used are phased as the member approaches their Target Retirement Date.



### Freestyle Fund Range

At the Scheme Year end, the Freestyle Fund Range comprised 25 individual funds and the Lifestyle Targeting Cash Strategy. The fund range includes the Global Blended Equity Fund, the Growth Fund, and the Cash Fund used in the Primary Default (Lifestyle Targeting Income Drawdown Strategy), and the Pre-Annuity Fund used in the Legacy Default (Lifestyle Targeting an Annuity Strategy).

The Trustee reviewed the Freestyle Fund Range during the previous Scheme year. A number of changes were agreed as part of the review, which are detailed in Section 1 of this Statement. All of the changes relating to this review took place during the Scheme Year and are detailed on pages 3 and 4 of this Statement.

TERs deducted across the Scheme's fund range vary from 0.05% p.a. to 0.85% p.a. of the value of a member's investment in that fund. The TERs for the Scheme's Freestyle Fund Range, not including the default funds noted above, are shown in the following table.

Fund Group	Freestyle Fund Name	TER (%, p.a.)
Funds within The Lifestyle Strategies (and also available Freestyle)	Global Blended Equity Fund	0.14
	Growth Fund	0.19
	Pre-Annuity Fund	0.10
	Cash Fund	0.10
Equity (active)	Global Equity Fund	0.64
	Emerging Markets Equity Fund	0.65
	Global Equity Impact Fund	0.79
Equity (passive/passive plus)	Climate Aware World Equity Fund	0.07
	Shariah Global Equity Tracker Fund	0.30
	World Equity Tracker Fund GBP Hedged	0.08
	World (ex UK) Equity Tracker Fund	0.07
	Smaller Companies Equity Tracker Fund	0.13
	Global Listed Property Tracker Fund	0.25
	UK Equity Tracker Fund	0.11
	Europe (ex UK) Equity Tracker	0.07
	North America Equity Tracker	0.07
	Japan Equity Tracker Fund	0.07
Asia Pacific (ex-Japan) Equity Tracker Fund	0.07	
Bonds (active)	Sterling Corporate Bond Fund	0.17
Bonds (passive)	Overseas Bond Tracker Fund	0.06
	Emerging Markets Debt Tracker Fund	0.15
	UK Fixed Interest Tracker Fund	0.05
	Over 5 Year Index-Linked Gilt Tracker Fund	0.05
Real Assets	UK Property Fund	0.73
Mixed Assets	Multi-Asset Fund	0.85

### Transaction Costs

In addition to the investment manager's AMC and the additional fund expenses included in the TER, investment funds are subject to other implicit costs. Implicit costs include the investment manager's transaction costs within a fund, including commissions and stamp duty. These expenses are not explicitly deducted from the fund but result in a reduction in investment returns and are thus borne by the member.

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with the updated Administration Regulations. The Trustee has received transaction cost information for the DC Section investments from Mobius Life, the Scheme's investment platform provider.

The buying and selling of units in a fund (called creation-cancellation spread), can impact individual members when they trade in or out of a fund. These costs are reflected in the price at which a member buys (or sells) units in a given fund. Other than potentially bearing the creation-cancellation spread cost, members are not charged for investment switches.

Details of the transaction costs and creation-cancellation spreads for the funds in the Primary and Legacy Default investment options as at 30 June 2023 are shown in the following table.

Fund	Creation-Cancellation Spread (%)	Transaction Costs (%)
<b>Global Blended Equity Fund</b>	0.11	0.04
<b>Growth Fund*</b>	0.29	0.04
<b>Pre-Annuity Fund</b>	0.38	0.13
<b>Cash Fund</b>	0.00	-0.01

*\*This spread reflects the weighted average based on the target fund allocation and the creation-cancellation spreads of the underlying fund. This will vary slightly due to the actual allocations deviating from the target weights. This spread excludes the UK Property Fund creation spread as the rebalancing instruction for the Growth Fund seeks to minimise purchases of this fund.*

The mix of funds that members hold within the Primary or Legacy Default lifestyle strategy depends on their proximity to retirement. A member's Target Retirement Date is set automatically to 65 unless the member changes it. The table below details an estimated weighted average transaction cost based on the allocation of funds held at each year until retirement for members invested in the Primary Default.

Time to Retirement (years)	Transaction Costs (%)
<b>8+</b>	0.04
<b>7</b>	0.04
<b>6</b>	0.04
<b>5</b>	0.04
<b>4</b>	0.04
<b>3</b>	0.04
<b>2</b>	0.04
<b>1</b>	0.03
<b>0</b>	0.03

The transaction costs and estimated creation-cancellation spreads for the Freestyle Fund Range, are shown in the following table. The creation-cancellation spreads vary between 0.00% and 0.71% other than the UK Property Fund, which has an estimated spread of 7.29%. The spread between the offer and bid prices of commercial property fund units reflects the cost of buying properties, and the measures taken to protect the funds and those still invested in them from higher outflows. The large creation-cancellation spread is an indication of the higher offer price given to sellers who wish to withdraw (ie: cancel) their investment.

Fund Group	Freestyle Fund Name	Creation-Cancellation Spread (%)	Transaction Costs (%)
Funds within the Lifestyle Strategies (and also available Freestyle)	Global Blended Equity Fund	0.11	0.04
	Growth Fund	0.29	0.04
	Pre-Annuity Fund	0.38	0.13
	Cash Fund	0.00	-0.01
Equity (active)	Global Equity Fund	0.08	0.05
	Emerging Markets Equity Fund	0.33	0.09
	Global Equity Impact Fund	0.10	0.22
Equity (passive/passive plus)	Climate Aware World Equity Fund	0.08	0.03
	Shariah Global Equity Tracker Fund	0.35	0.03
	World Equity Tracker Fund GBP Hedged	0.10	0.04
	World (ex UK) Equity Tracker Fund	0.06	0.00
	Smaller Companies Equity Tracker Fund	0.09	0.06
	Global Listed Property Tracker Fund	0.09	0.06
	UK Equity Tracker Fund	0.52	0.08
	Europe (ex UK) Equity Tracker	0.14	0.09
	North America Equity Tracker	0.04	0.05
	Japan Equity Tracker Fund	0.06	0.05
Asia Pacific (ex Japan) Equity Tracker Fund	0.16	0.11	
Bonds (active)	Sterling Corporate Bond Fund	0.71	-0.09
Bonds (passive)	Overseas Bond Tracker Fund	0.11	-0.02
	Emerging Markets Debt Tracker Fund	0.17	0.04
	UK Fixed Interest Tracker Fund	0.06	0.19
	Over 5 Year Index-Linked Gilt Tracker Fund	0.08	0.02
Real Assets	UK Property Fund	7.29	0.30
Mixed Assets	Multi-Asset Fund	0.40	1.01

Source: Mobius Life and Investment managers, Creation-Cancellation Spreads shown as at 30 June 2023, The transaction cost figures shown cover the period 1 July 2022 to 30 June 2023.

### ***Illustrations of the effects of costs and charges***

The Trustee fully supports transparency of costs for members. However, a key consideration for members is the performance delivered on a net of fees basis. In this respect, the Trustee believes that it is important to note that a cheaper fund may not necessarily deliver better value.

Using the costs and charges data as set out in this Statement, the Trustee has prepared illustrations detailing the impact of the costs and charges borne by a typical member of the Scheme on their pension pot. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes".

The illustrations below have taken into account the following elements:

- Pension pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To further illustrate the impact of costs and charges, the Trustee has also provided an example below for a young active Scheme member.

Deferred members who joined the Scheme after 1 April 2013 are transferred into a separate arrangement and therefore no illustration is provided for deferred members. The illustrations include member-borne costs, including TERs and transaction costs but do not include costs involved with trading in and out of the funds. Any transaction costs associated with buying and selling investments will be due to all investors buying and selling investment funds on the day and the actual amount (if any) is only known after the investments are traded. These costs are reflected in the unit price of funds.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has made a number of assumptions about what these might be. The assumptions are explained below:

- The "before charges" figures represent the savings projection assuming an investment return with no deduction of member-borne costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member-borne costs, including TERs and transaction costs.
- The transaction cost figures used in the illustration are based on those illustrated previously.

The illustrations are shown for the Primary Default, since this has the most members invested in it, as well as a range of funds from the Scheme's Freestyle Fund Range. The Freestyle Funds shown in the illustration are:

- The fund with the highest member-borne costs: **Multi-Asset Fund**;
- The fund with the lowest member-borne costs: **World (ex-UK) Equity Tracker Fund**.

**Projected pension pot in today's money – Young Member**

Years of Scheme membership	Default Lifestyle (Most Popular)		Multi-Asset Fund (Most Expensive)		World (ex UK) Equity Tracker Fund (Least Expensive)	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£11 404	£11 382	£11 340	£11 181	£11 401	£11 391
3	£20 994	£20 900	£20 698	£20 015	£20 979	£20 939
5	£31 328	£31 116	£30 640	£29 139	£31 293	£31 203
10	£60 800	£60 056	£58 298	£53 281	£60 671	£60 355
15	£96 312	£94 599	£90 481	£79 454	£96 009	£95 280
20	£139 105	£135 830	£127 928	£107 829	£138 516	£137 123
25	£189 398	£183 688	£171 502	£138 592	£189 647	£187 252
30	£246 809	£237 450	£222 204	£171 943	£251 151	£247 309
35	£311 176	£296 622	£281 201	£208 099	£325 133	£319 261
40	£384 680	£363 135	£349 849	£247 298	£414 124	£405 462
45	£457 964	£428 458	£429 727	£289 795	£521 169	£508 736

Years of Scheme membership	Cash Fund		Annuity Lifestyle (Legacy)	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£10 940	£10 927	£11 404	£11 382
3	£18 899	£18 846	£20 994	£20 900
5	£26 624	£26 515	£31 328	£31 116
10	£44 956	£44 639	£60 800	£60 056
15	£61 969	£61 361	£96 312	£94 599
20	£77 759	£76 788	£139 105	£135 830
25	£92 412	£91 020	£189 398	£183 688
30	£106 011	£104 151	£246 809	£237 450
35	£118 632	£116 266	£311 176	£296 622
40	£130 345	£127 443	£379 147	£358 175
45	£141 215	£137 754	£426 218	£400 267

**Projected pension pot in today's money – Typical Member**

Years of Scheme membership	Default Lifestyle (Most Popular)		Multi-Asset Fund (Most Expensive)		World (ex UK) Equity Tracker Fund (Least Expensive)	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£79 993	£79 838	£78 665	£77 512	£80 037	£79 975
3	£104 159	£103 599	£99 772	£95 879	£104 591	£104 369
5	£128 993	£127 890	£121 144	£113 935	£130 393	£129 964
10	£192 871	£189 734	£175 753	£157 750	£200 785	£199 597
15	£256 914	£250 673	£232 091	£199 733	£280 470	£278 115
20	£322 330	£311 947	£290 213	£239 963	£370 676	£366 651
25	£384 491	£369 494	£350 175	£278 512	£472 791	£466 485

Years of Scheme membership	Cash Fund		Annuity Lifestyle (Legacy)	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£76 766	£76 676	£79 993	£79 838
3	£93 373	£93 079	£104 159	£103 599
5	£109 328	£108 801	£128 993	£127 890
10	£146 528	£145 309	£192 871	£189 734
15	£180 183	£178 145	£256 914	£250 673
20	£210 631	£207 678	£316 603	£306 605
25	£238 177	£234 240	£351 840	£339 250

1. Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. For the "young" member, the starting pot size is assumed to be £6,870, salary is assumed to start at £28,000 per annum and the member joined the Scheme at age 20. The projection is for 45 years, being the approximate duration that the youngest scheme member has until they reach 65, the default assumed age that members crystallize their pension benefits.
4. For the "typical" member, the starting pot size is assumed to be £68,210, salary is assumed to start at £100,000 per annum and the member joined the Scheme at age 40. The projection is for 25 years, being the approximate duration that the median scheme member has until they reach 65, the default assumed age that members crystallize their pension benefits.
5. Inflation and salary increases are assumed to be 2.5% per annum. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation for prudence in the projected values.
6. The contribution rate used is 15% per annum for the "young" member illustration and 10% per annum for the "typical" member illustration.
7. Contributions are assumed to be paid every year with no contribution holidays and increase in line with assumed earnings inflation of 2.5% p.a.
8. The projected gross growth rates for each fund are as follows:

Default investment option:	2.5% p.a. before inflation for members further than 25 years from retirement, falling to 0.2% p.a. for members at retirement
Annuity Lifestyle (Legacy):	2.5% p.a. before inflation for members further than 25 years from retirement, falling to -1.6% p.a. for members at retirement
Cash Fund:	-1.5% p.a. before inflation
Multi-Asset Fund:	0.0% p.a. before inflation Over 5 Year Index Linked Gilt Tracker
World (ex UK) Equity Tracker Fund:	2.5% p.a. before inflation

#### **Additional Voluntary Contribution Arrangements**

Over the year, the Scheme had holdings in a number of AVC policies with Standard Life, Phoenix Life and Scottish Widows. The AVC arrangements with Standard Life and Phoenix Life are closed to new contributions. With respect to the with-profits funds, pay-outs on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, the actual performance received by members, net of charges, is only ever known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of 'smoothing'.

Details of the AVC policies held by the Scheme during the Scheme Year are provided in the table below.

Provider	Unit-Linked Funds	With-Profits Funds	Deposit
Standard Life	✓	✓	
Phoenix Life	✓		✓
Scottish Widows	✓	✓	

The Trustee monitors the AVC arrangements on a regular basis. The most recent review was undertaken in March 2023 and considered the current position of the Scheme's AVC arrangements. The Trustee did not make any changes to the investments, either unit linked or with profits, as a result of that review.



The Trustee has sought to quantify the transaction costs associated with the holdings in these funds by requesting the information from these providers in line with the prescribed transaction cost disclosure methodology. Some AVC providers were not able to provide complete information to satisfy these requirements. The Trustee will continue to request this information and will report on these once this information is reliably obtainable from the providers on the publicly available website, <https://epa.towerswatson.com/accounts/ubs/>.

Detailed below are the transaction costs and fees for policies, where provided by the AVC policy providers.

Provider	Fund Name	Transaction Cost (%)	TER (% p.a.)
<b>Phoenix Life</b>	Deposit Fund	*	*
	Equity Fund	*	*
	European Fund	*	*
	Managed Fund	*	*
	Money Fund	*	*
	Conventional With-Profits Fund	0.46	*
<b>Scottish Widows</b>	Managed Fund	0.00	0.39
	Property Fund	0.00	0.40
	Cash Fund	*	0.88
<b>Standard Life</b>	Standard Life Pension With Profits Fund	0.03	*
	Standard Life Pension Millennium With Profits Fund	0.02	*
	Standard Life Managed Pension Fund	0.18	1.02
	Standard Life Property Pension Fund	0.24	1.03
	Standard Life European Equity Pension Fund	0.10	1.01
	Standard Life International Equity Pension Fund	0.17	1.02
	Standard Life Asia Pacific ex Japan Equity Pension	0.13	1.12
	Standard Life Far East Equity Pension Fund	0.11	1.07
	Standard Life UK Equity Pension Fund	0.15	1.01
	Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	0.17	1.02
	Standard Life North American Equity Pension Fund	0.14	1.01
	Standard Life Japanese Equity Pension Fund	0.05	1.02

The transaction cost figures shown cover the period 1 July 2022 to 30 June 2023, unless otherwise stated.

\* Provider has been unable to supply us with data at this time.

#### 4. Value for Members

The Trustee is required to assess the extent to which member-borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of “good value”, but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market. The assessment was undertaken taking account of the Pensions Regulator’s Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee completed a review of the Scheme’s DC section investments with relation to their value for members during the Scheme Year. As all administrative and investment platform costs for the DC section are met by the Scheme, the Trustee has only considered the investment charges (the AMC and other expenses that make up the TER) for these funds as part of this review. The overall quality of the service received has also been considered in this assessment rather than fees alone.

“Value” is not a straightforward concept to quantify and can be open to broad interpretation. The Trustee’s value for members assessment examined the current investment management charges relative to the fees for equivalent size mandates, as well as Mercer’s Manager Research Ratings and a review of the performance of the Scheme’s investment funds in the context of their investment objectives. The Trustee notes that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee’s investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Where funds offered to members are:

- Highly rated by Mercer
- Offered at a competitive fee rate, and
- Performing satisfactorily over the long-term

The Trustee believes that they can be considered to be offering good value for members.

Based on these criteria, the majority of funds in the fund range of the DC section are highly rated, available at a fee rate that is below the median for the appropriate Mercer fund universe (accounting for mandate size), and have performed well over the long term.

The Trustee has also considered the value of the Primary Default (Lifestyle Targeting Income Drawdown Strategy) over the working lifetime of a member including how the total fee changes with the underlying fund allocations as members move towards retirement.

**Accordingly, the Trustee believes the investment options available within the Scheme’s arrangements represent good value for members. The Trustee believes that the majority of the funds have met their long-term objectives. Overall, the Trustee believes that members are receiving good value for the charges they pay.**

For more information on the review, please see Schedule A.

The Trustee (via the Investment Committee) reviews the Mercer Manager Research Ratings and investment manager performance on a quarterly basis. The Investment Committee also seeks to renegotiate investment manager fees from time to time, where appropriate, to continue to maintain good value for members.

The Trustee has also considered transaction costs as part of the value for members review. At this time, a meaningful assessment is difficult to undertake due to the lack of industry standards for comparison. Based on advice from its appointed investment advisers, the Trustee believes that transaction costs paid by members appear to be reasonable. The Trustee will continue to work with its advisers to monitor and assess the reasonableness of transaction costs incurred.

The Scheme also provides a number of services at no cost to members. These additional services include:

- Scheme governance related costs, which include oversight of the Scheme by the Trustee and its advisers (supported by Independence Governance Group (IGG) and the in-house pensions team); ensuring that the Scheme is compliant

with relevant legislation, such as the charge cap and addressing any material issues that may impact members;

- Costs relating to the administration of the Scheme;
- Meeting the costs of Investment platform services through which most investments are accessed;
- Provision and monitoring of the wide range of investment options and strategies; and
- All member communications and engagement opportunities including access to the member portal and retirement planner tool.

The fact that members are not required to contribute to these costs greatly reduces the cost impact and represents a significant element of the value offered to Scheme members. This is different from the AVC arrangements, which are separately held in life insurance policies with various providers, where member-borne charges do include administration and communication services.

The Trustee also wishes to highlight the value of the investment platform provider, Mobius Life. The arrangement between the Scheme and Mobius Life has proved to be beneficial for members with significant savings being made in many historical transitions as a direct result of its involvement.

### ***Security of Assets***

In August 2023, after the Scheme Year end, the Trustee undertook a review of the financial protections available to members in the unlikely event of losses caused by the insolvency or other failure of one or more companies involved in managing the Scheme's investments.

As a result of this review, which updated previous reviews, the Trustee is satisfied with the level of protection afforded to the Scheme's DC assets. Members can find further information on security of assets in their Scheme Guide booklet on the pensions section of the UK Benefits portal. There has been no significant change to the structure of the fund range.

### ***Net Return on Investments***

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduced new requirements for trustees of 'relevant' occupational pension schemes requiring them to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for age 25, 45 and 55 with an assumed TRD of 65) and for the self-select fund range.

### **Lifestyles**

<b>Lifestyle Targeting Income Drawdown (Primary Default)</b>	<b>Annualised Returns to 30.06.23 (%)</b>	
	<b>1 Year</b>	<b>5 Years</b>
<b>Age of Member at start of period</b>		
25	13.4	5.7
45	10.6	5.0
55	5.8	4.7

<b>Lifestyle Targeting an Annuity (Legacy Default)</b>	<b>Annualised Returns to 30.06.23 (%)</b>	
	<b>1 Year</b>	<b>5 Years</b>
<b>Age of Member at start of period</b>		
25	13.4	5.7
45	10.6	5.0
55	5.8	2.9

Lifestyle Targeting Cash Age of Member at start of period	Annualised Returns to 30.06.23 (%)	
	1 Year	5 Years
25	13.4	5.7
45	10.6	5.0
55	5.8	2.9

**Note:** The Global Blended Equity Fund was introduced as a component fund of the default investment strategies in September 2021. The 5 Year annualised returns % is partly based on the old default asset allocation's additional weighting to the underlying Growth Fund.

### Self-Select Fund Range

Fund Group	Freestyle Fund Name	Annualised returns to 30 June 2023 (%)	
		1 year	5 year
Funds within the Lifestyle Strategies (and also available Freestyle)	Global Blended Equity Fund	13.4	-
	Growth Fund	5.9	4.7
	Pre-Annuity Fund	-14.0	-3.9
	Cash Fund	3.0	0.9
Equity (active)	Global Equity Fund	12.6	16.2
	Emerging Markets Equity Fund	4.6	5.0
	Global Equity Impact Fund <sup>1</sup>	-	-
Equity (passive/passive plus)	Climate Aware World Equity Fund	13.2	-
	Shariah Global Equity Tracker Fund	17.2	14.4
	World Equity Tracker Fund GBP Hedged	17.0	8.8
	World (ex UK) Equity Tracker Fund	13.6	10.4
	Smaller Companies Equity Tracker Fund	8.1	5.9
	Global Listed Property Tracker Fund	-8.2	-1.6
	UK Equity Tracker Fund	7.9	3.1
	Europe (ex UK) Equity Tracker	19.0	7.2
	North America Equity Tracker	13.6	12.8
	Japan Equity Tracker Fund	12.5	3.9
Bonds (active)	Sterling Corporate Bond Fund	-5.3	-0.4
	Overseas Bond Tracker Fund	-6.7	-0.9
Bonds (passive)	Emerging Markets Debt Tracker Fund	6.5	1.2
	UK Fixed Interest Tracker Fund	-14.5	-4.2
	Over 5 Year Index-Linked Gilt Tracker Fund	-20.0	-5.5
Real Assets	UK Property Fund	-16.7	1.1
Mixed Assets	Multi-Asset Fund	-2.4	0.2

<sup>1</sup> The Global Equity Impact Fund was introduced to the Scheme in November 2022.

## 5. Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the members of the Trustee Board (the "Trustee Directors") are required to maintain an appropriate level of knowledge and understanding which, together with the advice provided by the Trustee's professional advisers, enables them to properly exercise their functions and duties in relation to the Scheme. This Statement supports how this has been achieved during the Scheme Year.

### *Induction process*

For new Trustee Directors joining the Board there is a Trustee Induction Plan in place which requires new Trustee Directors to complete The Pensions Regulator's Trustee Toolkit online training and attend a scheme-specific introductory training session within six months of appointment. Any knowledge gaps are identified on appointment, so that focused training can be arranged if needed. The Trustee Induction Plan, and scheme-specific introductory training, is reviewed to ensure it is fit for purpose prior to any new trustees training. There were no new Trustee appointments during the Scheme Year.

### *Demonstrating working knowledge and understanding*

The Trustee Directors are required to have the necessary knowledge and understanding of:

- the Trust Deed and Rules of the Scheme;
- the Statement of Investment Principles;
- all documents setting out the Trustee's current policies;
- the law relating to pensions and trusts; and
- the principles relating to the funding and investment of occupational pension schemes.

The Trustee Directors have demonstrated that they, both individually and collectively, have the necessary knowledge and understanding of the above matters to enable them to properly exercise their functions as Trustee. Over the Scheme Year, the Trustee Board have had access to the Trust Deed and Rules, SIP, current policies and all other relevant Scheme documents through an online directory, which can be accessed at any time, and were supported by professional advisers, who attended Trustee Board and Committee meetings and provided advice and support. The Trustee received advice from its professional advisers, in particular its legal adviser, prior to key decisions being taken, to ensure decisions were made in line with the Scheme Rules and applicable legislation. Additionally, all Trustee Directors have completed The Pensions Regulator's 'Trustee toolkit' training, which ensures all Trustee Directors have an understanding of legal and regulatory matters relating to pensions and trusts.

#### *Training programme*

During the Scheme Year, training was regularly arranged for the Trustee Directors, both at Board and Committee level, to meet any training needs identified. This included topics proposed by the Trustee's advisers and suggested by Trustee Directors, who were invited to raise any training needs either with the Scheme Secretariat, the Chair or the relevant committee Chair. Training topics frequently reflected upcoming regulatory requirements that the Trustee would need to meet (such as Pensions Dashboards), changes to the law following legislation or case law, and project specific work.

The Trustee received training from the Scheme's professional advisers on a regular basis. During the period covered by this Statement, the full Trustee Board received training on the following topics:

- DC Excellence training on the governance framework and training on exercise of Trustee discretions – 5 September 2022
- Guaranteed Minimum Pension (GMP) recalculation training – 17 October 2022
- Climate Scenario Analysis - 28 November 2022
- Liability Driven Investment (LDI) Training and Portfolio Update – 16 January 2023
- DB funding code – 30 March 2023
- Cyber security – 20 June 2023

The Trustee delegates responsibility for certain tasks to Committees, which meet on a regular basis to monitor aspects of the Scheme in more detail. These Committees consist of Trustee Directors with greater experience in their respective areas such as investments, communication, administration and audit and risk responsibilities. During the period covered by this Statement, individual Committees received training on a range of topics including:

- Investment Committee – DC Governing Framework, ESG, Climate scenarios, LDI training, Mobius training
- Risk & Audit Committee – Cyber security
- Administration & Rules Committee – GMP, DB funding code

The Trustee has in place a Trustee Training policy, to formalise the requirements, and the process by which Trustee Directors will maintain appropriate knowledge and understanding relating to their role.

As part of this, the Trustee Directors undertake annually a training gap analysis at Board and Committee level, to facilitate the identification of any training needs. In respect of the Committees, this will ensure that all specialist areas bespoke to the Committees are covered.

Training undertaken by individual Trustee Directors is captured on a training log which is maintained by the Secretariat team.

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

Signature:

Name: Richard Hardie

Position: Chair, UBS Pension Trustee Company Limited

Date:

**Schedules**

Schedule A – Summary of Value for Members Assessment

Schedule B – DC Section of the Governing Version of the Scheme’s Statement of Investment Principles for the period

## Schedule A – Summary of Value for Members Assessment

The analysis undertaken on the value for members' assessment is provided in the table below and covers price, performance and productivity to 30 June 2023. For the overall rating green signifies “offers good value”, orange signifies “offers reasonable value”, red signifies “offers poor value” and grey signifies “not assessed or rated”.

**Price Assessment** – we consider the fund range as offering good value for members in terms of charges paid, all funds are competitively priced relative to peers. While the transaction costs provided appear to be reflective of costs expected of the various asset classes, there is not as yet any “industry standard” to compare these to.

**Performance Assessment** – we are comfortable that the majority of the funds have met their long-term objectives. Passive funds have performed in line with their respective benchmarks. Historic performance of the active funds has been mixed, with a small number of funds underperforming both their target and benchmark over a three year period to 30 June 2023. Further to this, the majority of funds offered to members are rated highly by Mercer’s Manager Research Team. This is an indication of a strong conviction in the manager’s ability to track the index, for passive funds, or to meet and exceed the target return for active funds.

**Productivity** – we believe that value for members is about more than member-borne deductions, and therefore we have assessed the wider features of the Scheme that are paid for by the Sponsor. We have concluded that the Scheme offers other features and services that strengthen its value including, but not limited to efficient administration services, modelling tools and trustee oversight/governance.



Fund Group	Freestyle Fund Name	Price	Performance*	Productivity	Overall
Funds within the Lifestyle Strategies (and also available Freestyle)	Global Blended Equity Fund				
	Growth Fund				
	Pre-Annuity Fund				
	Cash Fund				
Equity (active)	Global Equity Fund				
	Emerging Markets Equity Fund				
	Global Equity Impact Fund				
Equity (passive/passive plus**) Equity (passive/passive plus)	Climate Aware World Equity Fund				
	Shariah Global Equity Tracker Fund				
	World Equity Tracker Fund GBP Hedged				
	World (ex UK) Equity Tracker Fund				
	Smaller Companies Equity Tracker Fund				
	Global Listed Property Tracker Fund				
	UK Equity Tracker Fund				
	Europe (ex UK) Equity Tracker				
	North America Equity Tracker				
	Japan Equity Tracker Fund				
Asia Pacific (ex Japan) Equity Tracker Fund					
Bonds (active)	Sterling Corporate Bond Fund				
Bonds (active) Bonds (passive)	Overseas Bond Tracker Fund				
	Emerging Markets Debt Tracker Fund				
	UK Fixed Interest Tracker Fund				
	Over 5 Year Index-Linked Gilt Tracker Fund				
Real Assets	UK Property Fund				
Mixed Assets	Multi-Asset Fund				

Source: Mobius Life, investment managers and Mercer.

Based on 3 year performance figures. Climate Aware Equity Fund falls between passive and active. It is not a tracker fund but instead the fund manager tilts the underlying index. We have noted it here as "Passive Plus"

## Schedule B – DC Section of the Governing Version of the Statement of Investment Principles

### UBS (UK) Pension and Life Assurance Scheme Statement of Investment Principles – Part Two (DC Section)

August 2023

#### 1. INTRODUCTION

The purpose of this part of the Statement of Investment Principles (“SIP”) is to record the investment arrangements of the Defined Contribution (“DC”) Section of the UBS (UK) Pension and Life Assurance Scheme (the “Scheme”). It is also designed to meet the requirements of the Pensions Act 1995, as amended, and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) (Amendment) Regulations 2015, and subsequent legislation.

The Scheme has both Defined Benefit (“DB”) and DC Sections. The Scheme also has a number of legacy life assurance policies held on behalf of members.

This part of the SIP has been prepared after obtaining written professional advice from Mercer (the “Investment Consultant”). The Trustee believes that the Investment Consultant meets the requirements of Section 35 (5) of the Pensions Act 1995. The Trustee has also consulted UBS AG (the “Company”) as the Sponsoring Employer.

This part of the SIP is designed to fulfil the key objectives of the DC Code of Practice.

The SIP constitutes two parts – the DB Section and the DC Section. Both parts together constitute the Scheme’s Statement of Investment Principles.

#### 2. INVESTMENT OBJECTIVES

The Trustee has considered its key investment objectives which have been formulated after discussions with the Company.

The Trustee aims to make available to members of the DC Section a range of investment options to offer members the opportunity to make their own investment decisions and select funds to cater to their individual circumstances, taking into account their needs and risk tolerance, in a cost effective manner.

In addition to this, in respect of the DC Section, the Trustee is responsible for investing members’ contributions in accordance with each member’s investment decision. The contributions of those members who do not make their own choice will be invested in the Scheme default investment option, which targets an asset strategy suitable for members taking income drawdown at retirement (Lifestyle Targeting Income Drawdown). This is the “Primary Default”. Some members are invested in another default strategy, Lifestyle Targeting an Annuity. This is the “Legacy Default”.

The objectives set out in this part of the SIP (Sections 2 and 3) and the risks (Section 4) and other factors referenced are those that the Trustee considers to be financially material considerations in relation to the DC Section. The Trustee believes that the appropriate time horizon in which to assess as financially material considerations is based on individual member’s horizons i.e. this is dependent on member age and their Target Retirement Date. In designing the two default investment options – Lifestyle Targeting Income Drawdown and Lifestyle Targeting an Annuity – and the alternative lifestyle strategy, Lifestyle Targeting Cash, the Trustee has considered the proximity to Target Retirement Dates as part of their design.

#### Default Investment Options

Typically, a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of DC members do not make an active investment decision and are invested in the default investment option, The Primary Default replaced the previous default investment option the Legacy Default as the Scheme default in September 2021.

The Trustee is maintaining the Legacy Default for those members who were fully invested in it and were within

four years, or past, their Target Retirement Date at the date the Primary Default was adopted as the Scheme default. The Trustee has taken into account a number of factors when analysing the suitability of the default investment options.

- Assets in the default investment options are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Members who are invested in the default investment options tend to have smaller pots and be less financially sophisticated.
- Assets in the default investment options are invested in a manner which aims to ensure the security, quality, liquidity and positive expected returns of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (as part of their contracts investment managers are expected to keep any non-regulated assets held to prudent levels).

In addition to the default investment options, switching members between funds without their consent can result in funds also being determined to be 'default' arrangements requiring additional disclosures. Additional default arrangements have been created in this manner; these are set out in more detail in Section 5 under "Additional Default Arrangement".

### **Nature of Benefits**

Benefits in the DC Section are determined by the value of members' individual accounts at retirement. The members' retirement benefits depend on:

- The level of contributions made by the member or made on the member's behalf, including prior transfer values from other arrangements (if applicable);
- Investment returns achieved (net of fees and costs); and
- Where applicable, annuity terms prevailing at the time of the member's retirement.

## **3. PORTFOLIO CONSTRUCTION**

### **Aims and objectives of the default investment options**

The default investment options' growth multiphase structure invests in an equity fund, the Global Blended Equity Fund, until 25 years from retirement date, and de-risks entirely out of this Fund over the next 15 years, by introducing the Growth Fund, a fund comprised of equities, property, corporate bonds and emerging market debt. This multiphase approach aims to provide growth with higher expected volatility earlier on in the glidepath, which is gradually reduced from 25 years to retirement. It is also expected to provide some protection against inflation erosion.

A proportion of the equities apply a "climate aware" tilt. The negative tilt reduces the size of investment in companies with high emissions, producing energy from coal or companies with reserves of fossil fuels. The positive tilt increases the size of investment in companies that provide or support renewable energy and technology and perform in line with globally agreed climate change goals.

As a member approaches retirement, the risk from an equity market downturn is mitigated through diversification away from a pure equity allocation. The investments underlying each of the default investment options are described in more detail later in Section 5 of this SIP.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the default investment options aim to reduce investment risk as the member approaches retirement, relative to how they intend to take their benefits. These risks are managed via automated lifestyle switches over the three-year period prior to a member's Target Retirement Date in the Primary Default and the eight-year period prior to a member's Target Retirement Date in the Legacy Default.

Based on the Trustee's understanding of the Scheme's membership, an investment strategy that targets income drawdown and a tax-free cash lump sum (up to 25% of a member's pot) is likely to meet a typical

member's requirements for benefits in retirement. This does not mean that members have to take their benefits in this form at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy from the range of freestyle funds available. In addition, the Trustee decided to maintain the Legacy Default, for members who were close to, or past, their Target Retirement Date at the date the Primary Default was adopted as the Scheme default. It was agreed that changing the strategy for these members without their explicit consent was inappropriate.

#### **Policies in relation to the default investment options**

In addition to the Trustee's Investment Objectives (covered in Section 2), and the aims and objectives of the default investment options set out above, the Trustee believes that:

- The default investment options should manage investment and other risks through a diversified strategic asset allocation. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.
- In designing the default investment options, consideration needs to be given to the trade-off between risk and expected returns.
- Consideration needs to be given to the balance of investments to be held in the default investment options, including the characteristics of particular asset classes and the balance between the use of active and passive investments where appropriate. The Trustee has used modelling where appropriate in considering the combined effects of allocations.
- Members may wish to alter their retirement plans and, hence, the arrangements need to be flexible, allowing them the option of choosing their own investment strategy or an alternative lifestyle strategy (see Appendix) on joining, but also at regular intervals.

#### **Illiquid Policy in respect of the Scheme's default arrangement default – Lifestyle Targeting Drawdown**

The Scheme's default arrangement includes an allocation to illiquid investments through its holdings in a pooled real estate fund, the UK Property Fund within the Growth Fund. Members gain exposure to the Growth Fund from 25 years to their selected retirement. Currently the illiquid investments held within the default arrangement are limited to property investments.

In selecting investments for the default arrangement, the Trustee uses modelling to consider the combined effects of allocations. For any investment, the Trustee carefully considers whether the investment provides value for members taking account the potential for returns and associated risks. Benefits, such as potential additional returns and diversification relative to more traditional asset classes (such as bonds or equities), need to compensate for additional risks faced.

The Trustee also considers carefully the issue of fairness to members that can arise when trading in a fund where the valuations of illiquid investments may not reflect their true underlying value at a given time. Such risks are heightened where funds are daily dealt, as is the case for the UBS Scheme, or where the asset allocation of funds have strayed significantly from their target allocation.

As a result, the Trustee has determined that the assets of the default investment option are predominantly invested on public markets. The current chosen exposure to private market and/or illiquid investments is balanced against the need for investment flexibility.

It is the Trustee's policy to review the allocation of the Growth Fund on an annual basis. This review includes whether the incorporation of further illiquid investments is appropriate.

#### **4. RISK MANAGEMENT AND MEASUREMENT**

The Trustee recognises that, under defined contribution arrangements, members bear the investment risk including, if desired, the conversion of the accumulated sum into income in retirement, and that members' investment requirements will vary, particularly between members of different ages. The Trustee therefore provides a range of investment options (including three lifestyle strategies) which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances.

The risks members face are communicated through the Defined Contribution Investment Guide, the UK Benefits Portal and during pension seminars held on an ad hoc basis for active members (and available as netcasts).

The Trustee has considered risk from a number of perspectives in relation to the DC Section, including the Primary Default and the Legacy Default. The list below is not exhaustive, but covers the main risks considered by the Trustee in formulating the policy regarding the two default investment options.

Type of Risk	Description	How is the risk managed and measured?
<b>Market Risk</b>	<b>Inflation Risk</b>	The risk that the investment return over members' working lives will not keep pace with inflation.
	<b>Currency Risk</b>	The risk that fluctuations in foreign exchange rates will cause the sterling value of overseas investments to fluctuate.
	<b>Credit Risk</b>	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.
	<b>Equity, property and other price risk</b>	The risk that investment market movements lead to a substantial reduction in the market value of investments.

The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with or exceed inflation over the long term.

During the growth phase of the default investment options, members are invested in an allocation which is expected to grow their pension savings in excess of inflation.

In order to manage currency risk, during the growth phase of the default investment options, members are invested in an equity fund with currency protection (hedge), equivalent to 50% of the overseas developed markets equity exposure.

Members are able to set their own investment allocations, in line with their risk tolerances.

Within active funds, management of many of these risks is undertaken by the investment manager.

The Trustee considers fund performance, including that of the default investment options, on a quarterly basis.

Type of Risk	Description	How is the risk managed and measured?
<b>Pension Conversion Risk</b>	Member's investments do not match how they would like to use their pots in retirement.	<p>The Trustee makes available three lifestyle strategies for members.</p> <p>Lifestyle strategies automatically switch members' assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.</p> <p>As part of the regular default strategy review, the Trustee reviews whether the default destination remains appropriate by considering the membership profile, market trends and how members have previously accessed their pension savings. Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will take their benefits at retirement, the Trustee believes that an investment strategy that targets income drawdown and a tax-free cash lump sum is the most appropriate for members invested in the Scheme default option, the Primary Default. The Trustee is maintaining the Legacy Default for those members who were fully invested in Lifestyle Targeting an Annuity and were within four years, or past, their Target Retirement Date at the time that the Primary Default was adopted as the Scheme default option (September 2021).</p> <p>Members who wish to take their pots via other methods are able to choose alternative lifestyle strategies, which may be more suitable for targeting these outcomes, reducing the risk of mismatches between investment strategy and target destination.</p>
<b>Liquidity Risk</b>	The risk that the member's assets in the Scheme cannot be realised at short notice in line with demand.	<p>The Scheme's assets are invested in daily dealt and daily priced pooled funds, via an insurance policy with Mobius Life.</p> <p>Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.</p>
<b>Investment Manager Risk</b>	The risk that the investment manager does not meet its fund performance objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	<p>The Trustee considers fund returns relative to appropriate comparators. This is monitored on a quarterly basis.</p> <p>The Trustee considers the Investment Consultant's rating of the investment managers on an ongoing basis and prior to implementation.</p>
<b>Environmental, Social and Governance Risk</b>	The risk that ESG factors, including climate change, have a financially material impact on the return of the Scheme's assets.	<p>The management of this risk has been considered and investment managers are expected to integrate this into their processes.</p> <p>The Trustee reviews the investment managers' policies and actions in relation to this from time to time.</p> <p>The Trustee policy on Responsible Investment and Corporate Governance is set out in Section 9.</p>

## 5. INVESTMENT STRATEGY

The Trustee has adopted the following approach in relation to members of the DC Section of the Scheme:  
**Freestyle Fund Range**

- The range of funds made available consists of multi-asset, equity, bond, cash and property. Further details of the fund range (including the underlying manager(s), a description of their mandates, fees and comparators/benchmarks) can be found in the “Defined Contribution Investment Guide” and fund factsheets available from the UK Benefits Portal.
- The range includes a variety of actively managed funds as well as passive, index-tracking funds designed to produce a return as close as possible to the relevant market benchmark. The range also includes a climate aware equity fund that passively tilts allocations in favour of companies adopting more climate aware strategies and an impact equity fund that actively seeks to invest in companies listed across the globe that have a positive impact on social and environmental issues.
- Members choose fund(s), and the balance between different kinds of investments, which they deem appropriate for their needs. This balance will determine the expected return on their assets and should be related to the member’s own risk appetite and tolerances.
- The Trustee is satisfied that the spread of funds available, and the investment managers’ policies on investing in individual securities within each asset type or fund, provides adequate diversification of investments.
- The Freestyle Fund Range is reviewed biennially, and the components of the funds within the Growth Phase of the lifestyle strategies are reviewed at least annually.

### Default Investment Options

As part of the regular default strategy review, the Trustee reviews whether the default destination remains appropriate by considering the membership profile, market trends and how members have previously accessed their pension savings. Taking into account the demographics of the Scheme’s membership and the Trustee’s views of how the membership will take their benefits at retirement, the Trustee believes that an investment strategy that targets income drawdown and a tax-free cash lump sum is the most appropriate for members invested in the Scheme default option, the Primary Default.

The Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme’s demographic or investment policy, if sooner.

The Trustee is maintaining the Legacy Default for those members who were fully invested in Lifestyle Targeting an Annuity and were within four years, or past, their Target Retirement Date at the time that the Primary Default was adopted as the Scheme default option (September 2021).

The Primary Default transitions members’ assets from a position predominantly invested in growth assets to one invested in a mixture of growth assets and cash over the three years prior to the Target Retirement Date. It is aimed at members looking to leave the majority of their pension pot (70%) invested through retirement, making drawdowns on an ad hoc basis, and allowing withdrawal of cash (30%). The underlying funds are an equity fund, the Global Blended Equity Fund, the Growth Fund, which comprises equities, property, corporate bonds and emerging market debt, and the Cash Fund, which holds cash and money market instruments. The details of the switching mechanism are set out below.

The asset allocation transition for the Primary Default will take place as set out in the following table:

**Primary Default (Lifestyle Targeting Income Drawdown)**

<b>Term to Target Retirement Date</b>	<b>Global Blended Equity Fund</b>	<b>Growth Fund</b>	<b>Cash Fund</b>	<b>Total</b>
25 years or more	100.0	0.0	0.0	100.0
24 years	93.3	6.7	0.0	100.0
23 years	86.7	13.3	0.0	100.0
22 years	80.0	20.0	0.0	100.0
21 years	73.3	26.7	0.0	100.0
20 years	66.7	33.3	0.0	100.0
19 years	60.0	40.0	0.0	100.0
18 years	53.3	46.7	0.0	100.0
17 years	46.7	53.3	0.0	100.0
16 years	40.0	60.0	0.0	100.0
15 years	33.3	66.7	0.0	100.0
14 years	26.7	73.3	0.0	100.0
13 years	20.0	80.0	0.0	100.0
12 years	13.3	86.7	0.0	100.0
11 years	6.7	93.3	0.0	100.0
10 years	0.0	100.0	0.0	100.0
9 years	0.0	100.0	0.0	100.0
8 years	0.0	100.0	0.0	100.0
7 years	0.0	100.0	0.0	100.0
6 years	0.0	100.0	0.0	100.0
5 years	0.0	100.0	0.0	100.0
4 years	0.0	100.0	0.0	100.0
3 years	0.0	100.0	0.0	100.0
2 years	0.0	90.0	10.0	100.0
1 year	0.0	80.0	20.0	100.0
On Target Retirement Date	0.0	70.0	30.0	100.0

The Legacy Default transitions members' assets from a position predominantly invested in growth assets to one invested in a mixture of bonds and cash over the eight years prior to the Target Retirement Date. Lifestyle Targeting an Annuity is aimed at members who are likely to purchase a fixed annuity (75%) and allowing the withdrawal of cash (25%). The underlying funds are an equity fund, the Global Blended Equity Fund, the Growth Fund, which comprises equities, property, corporate bonds and emerging market debt, the Pre-Annuity Fund, which invests in a mixture of bonds, and the Cash Fund, which holds cash and money market instruments. The details of the switching mechanism are set out below. The asset allocation transition for the Lifestyle Targeting an Annuity will take place as set out in the following table:



### Legacy Default (Lifestyle Targeting an Annuity)

<b>Term to Target Retirement Date</b>	<b>Global Blended Equity Fund</b>	<b>Growth Fund</b>	<b>Pre-Annuity Fund</b>	<b>Cash Fund</b>	<b>Total</b>
25 years or more	100.0	0.0	0.0	0.0	100.0
24 years	93.3	6.7	0.0	0.0	100.0
23 years	86.7	13.3	0.0	0.0	100.0
22 years	80.0	20.0	0.0	0.0	100.0
21 years	73.3	26.7	0.0	0.0	100.0
20 years	66.7	33.3	0.0	0.0	100.0
19 years	60.0	40.0	0.0	0.0	100.0
18 years	53.3	46.7	0.0	0.0	100.0
17 years	46.7	53.3	0.0	0.0	100.0
16 years	40.0	60.0	0.0	0.0	100.0
15 years	33.3	66.7	0.0	0.0	100.0
14 years	26.7	73.3	0.0	0.0	100.0
13 years	20.0	80.0	0.0	0.0	100.0
12 years	13.3	86.7	0.0	0.0	100.0
11 years	6.7	93.3	0.0	0.0	100.0
10 years	0.0	100.0	0.0	0.0	100.0
9 years	0.0	100.0	0.0	0.0	100.0
8 years	0.0	100.0	0.0	0.0	100.0
7 years	0.0	87.5	12.5	0.0	100.0
6 years	0.0	75.0	25.0	0.0	100.0
5 years	0.0	62.5	37.5	0.0	100.0
4 years	0.0	50.0	50.0	0.0	100.0
3 years	0.0	37.5	62.5	0.0	100.0
2 years	0.0	25.0	67.0	8.0	100.0
1 year	0.0	12.5	71.5	16.0	100.0
On Target Retirement Date	0.0	0.0	75.0	25.0	100.0

The Trustee offers three lifestyle strategies which members can choose to invest in themselves – Lifestyle Targeting Income Drawdown (which is the Primary Default), Lifestyle Targeting an Annuity (which is the Legacy Default) and Lifestyle Targeting Cash. Lifestyle Targeting Cash is aimed at members wishing to withdraw 100% of their benefit as cash. The asset allocation transition for Lifestyle Targeting Drawdown and Lifestyle Targeting an Annuity are detailed above. The asset allocation for Lifestyle Targeting Cash is in the Appendix. Members can invest in one or more of the three lifestyle strategies concurrently. Details of how contributions are invested during the switching phase, which is different to the tables above, are available on the UK Benefits Portal.

The Trustee will periodically review the range of Lifestyle strategies offered to members.

## Growth Phase Funds

The investment strategies of the Global Blended Equity Fund and the Growth Fund are determined by the Trustee after taking advice from the Investment Consultant and consulting with the Company. The current investment strategies of the Global Blended Equity Fund and the Growth Fund are set out below.

Global Blended Equity Fund:

<b>Asset Class</b>	<b>Benchmark allocation (%)</b>
Climate Aware Equities (Sterling hedged)	45.0
Climate Aware Equities (unhedged)	30.0
Global Small Cap Equities	15.0
Emerging Markets Equities	10.0
<b>Total</b>	<b>100.0</b>

Growth Fund:

<b>Asset Class</b>	<b>Benchmark allocation (%)</b>
Climate Aware Equities (Sterling hedged)	27.0
Climate Aware Equities (unhedged)	18.0
Global Small Cap Equities	9.0
Emerging Markets Equities	6.0
Corporate Bonds	25.0
Emerging Market Debt	10.0
UK Property	5.0
<b>Total</b>	<b>100.0</b>

## Additional Default Arrangements

The Trustee regularly reviews the default investment options and Freestyle Fund Range and, if deemed appropriate, makes changes to the managers available as part of these options.

Switching members between funds without their consent can result in funds also being determined to be 'default' arrangements requiring additional disclosures. An additional default arrangement has been created in this manner as follows:

<b>Fund</b>	<b>Date of Change</b>	<b>Reason</b>
Global Blended Equity Fund	November 2022	<u>In November 2022, the Developed World Fundamentally Weighted Equity Tracker Fund was removed from the Freestyle Fund Range, with assets transferred to the Global Blended Equity Fund by default.</u>

<b>Fund</b>	<b>Date of Change</b>	<b>Reason</b>
Cash Fund	May 2020	<p><u>Equitable Life With Profits Fund</u> On 1 January 2020, member AVC legacy assets were transferred from the Equitable Life With Profits Fund to the Utmost Life and Pensions Secure Cash Fund. In May 2020, member assets were subsequently transferred into the Cash Fund in order to preserve the capital value of member assets. The Cash Fund was used on a temporary basis prior to transferring member assets either into the Scheme's default strategy or into freestyle funds (depending on whether members have existing holdings in the DC Section).</p>
	March 2020	<p><u>UK Property Fund</u> The Cash Fund was used on a temporary basis for member contributions while the UK Property Fund was temporarily suspended in order to preserve the capital value of those contributions.</p>
	February 2018	<p><u>Triton Property Fund LP</u> Transferring assets to an equivalent property fund without member consent was deemed inappropriate due to the high trading costs of buying and selling property funds (which was deemed not in the best interests of members, given some members proximity to retirement), and more importantly due to the high fees attached to most property funds, i.e. in excess of the default charge cap of 0.75% that applies to Additional Default Arrangements.</p>
	January 2018	<p><u>GAM Hedge Fund</u> It was decided to withdraw this fund from the Freestyle Fund Range with no like-for-like replacement. Further, both the GAM Hedge Fund and the Cash Fund had capital preservation aims, albeit with different levels of preservation intended. Transferring assets to cash was intended to encourage members to engage and select a destination fund that was deemed suitable to their individual preferences.</p>

In event of any future temporary fund closures, member contributions will be redirected to the Cash Fund, unless another fund is considered more suitable.

The Aims of the Additional Default Arrangements:

- In designing the Additional Default Arrangements, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from the Additional Default Arrangements and choose their own investment strategy at any time.
- Assets in the Additional Default Arrangements are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.

- Assets in the Additional Default Arrangements are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested in pooled funds which are daily dealing and readily realisable.

The Trustee's policy in respect of the Additional Default Arrangements are summarised in the table below:

<b>Fund</b>	<b>Fund Objective and Investments Held</b>	<b>Trustee Objective and Expected Risk and Return</b>
Global Blended Equity Fund	The fund aims to provide long term capital growth by investing in the stocks and shares of a range of companies listed across the globe. The fund is partially hedged back to sterling.	<p>The Trustee's objective in using this fund as an Additional Default is to aim to provide long term capital growth using a fund which represents the Trustee's "best ideas" for a global equity portfolio. It is also appropriate as the cost of this fund is below the charge cap.</p> <p>The fund has one of the highest expected volatilities of the funds available in the Scheme.</p>
Cash Fund	<p>The aim of the fund is to provide a cash-like rate of return by investing in money market instruments such as high quality, short term debt.</p> <p>The fund invests in high quality, short term money market and fixed income securities.</p>	<p>The Trustee's objective in using this fund as an Additional Default is to aim to preserve the value of any contributions invested rather than to seek long term investment growth. It is also appropriate as the cost of this fund is below the charge cap.</p> <p>The fund has the lowest expected volatility of the funds available in the Scheme.</p>

## **6. DAY TO DAY MANAGEMENT OF ASSETS**

The Trustees have appointed Mobius Life ("Mobius"), which is authorised and regulated by the Financial Conduct Authority ("FCA") to manage members' assets through 'guest' funds available on its platform.

The Trustee expects the underlying Investment Managers to manage the assets as stated under the terms of their contracts. The underlying Investment Managers can buy and sell investments, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations and on the basis of having carried out appropriate due diligence.

Scheme assets are mainly invested on regulated markets. We note that some funds may have higher exposure to securities not on regulated markets. By its very nature, this applies to the UK Property Fund which as a pooled fund of predominantly individual property investments is mainly not invested on regulated markets. As part of their contracts investment managers are expected to keep any non-regulated assets held to prudent levels. In the case of the UK Property Fund, the investment manager will ensure that the portfolio is adequately diversified and the quality of the investments monitored.

## **7. REALISATION OF INVESTMENTS**

The Investment Managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. They also have responsibility for generating cash as and when required, as notified by the Scheme Administrators.

## **8. CHOOSING INVESTMENTS**

The Trustee considers the investment objectives and policies when choosing investments either for the Freestyle Fund Range or for inclusion within the default investment options. The Trustee receives written advice from its Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

## **9. RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE**

The Trustee believes that environmental (including climate change), social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The Trustee has adopted a separate Climate Change Policy, which sets out its support of the Paris Agreement in order to avoid the worst impacts of climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C within the context of its fiduciary responsibilities.

When making investment decisions, the Investment Committee will consider the widest set of ESG information available to them to help identify potentially material financial issues. Responsibility for implementation will lie with the underlying investment managers.

The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG factors (including climate change) and stewardship are integrated within investment processes when selecting new investment managers. These factors are also monitored on a regular basis, including consideration of ESG ratings provided by the Trustee's advisers, and are documented at least annually (where applicable). Members of the Investment Committee typically hold in-depth meetings with underlying fund managers annually, seeking to understand each manager's investment views, ESG policies and processes; how they address conflicts of interest and the approaches taken when selecting investments.

The Trustee believes that ESG risks can affect an organisation's reputation, therefore the values of the organisation and its reputation alongside risk and return objectives should be considered.

The Trustee may seek member views on ESG in the DC Section where necessary to inform their approach on an ongoing basis. Further information regarding non-material considerations such as member views is discussed in section 10. The Trustee does not have a specific policy with regard to the regularity that it will seek member views.

The Trustee keeps the topic of corporate governance and responsible investment under periodic review. The Trustee has not set any investment restrictions on the current investment managers in relation to particular products or activities, but may consider this in the future. The Trustee will periodically review the investment manager restrictions and will consider them as part of the annual monitoring governance process as well as when appointing investment managers.

These policies relating to responsible investment and corporate governance are applicable to both the default investment options and all other arrangements within the Scheme including the Freestyle Fund Range options.

#### **10. NON-FINANCIAL MATTERS AND MEMBER VIEWS**

Non-financial matters refers to the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impacts of investments and the future quality of life of members.

Member views are taken into account in the selection, retention and realisation of investment funds. Members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically. The Trustee will not seek member views in all circumstances in relation to decisions taken.

## **11. MANAGER ARRANGEMENT POLICIES**

### **Aligning Manager Appointments with Investment Strategy**

Underlying investment managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

As part of this selection process, to maintain alignment of the underlying investment managers' investment strategy and decisions with the Trustee's own policies, the Trustee undertakes due diligence to ensure it is aware of the:

- nature of the underlying asset categories within the fund and how the underlying investment manager will allocate capital between them;
- risks associated with the underlying mix of assets;
- expected return targeted by the underlying investment managers and details around realisation of the investment; and
- impact of financial and non-financial factors, including but not limited to ESG factors and climate change, on their long term investment decision making process.

The Trustee will review an appointment if the investment objective for an underlying manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

As the Trustee invests in pooled investment vehicles, it does not directly control the risk profile and return targets of the underlying investment manager, but appropriate mandates have been selected to align with the overall investment strategy.

### **Evaluating Investment Manager Performance**

The Trustee receives the underlying investment manager performance reports on a quarterly basis, which typically present performance information over 1 year, 3 years and 5 years. The Trustee reviews the absolute performance, relative performance against a suitable index (where appropriate) used as the benchmark, and against the underlying investment manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustee's focus is on long term performance but, as noted above, may review an underlying investment manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to the Investment Consultant's rating of the manager.

Manager fees are calculated as a percentage of assets under management. If the underlying investment managers fail to meet their performance objectives, the Trustee may ask those managers to review their fee. As part of the annual Value for Members assessment, the Trustee reviews the investment manager fees.

### **Portfolio Turnover Costs**

The Trustee consider portfolio turnover costs as part of the annual Value for Members assessment. As the Scheme invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, they will engage with an underlying investment manager if portfolio turnover is higher than expected.

### **Duration of arrangement with Managers**

As the Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. The focus of performance assessments is on longer term outcomes so the Trustee would not ordinarily expect to terminate an underlying manager based purely on short term performance.

All the funds are open-ended with no set end date for the arrangement. The Freestyle Fund Range and Default Investment Options are reviewed on at least a triennial basis. An underlying investment manager may be terminated if it is no longer considered to be optimal, nor have a place in the default strategy or general fund range.

### **12. MONITORING COMPLIANCE WITH THIS SIP**

It is the Trustee's policy to monitor compliance with this SIP in accordance with the annual reporting cycle following the Scheme year end of 30 June each year.

### **13. REVIEW OF THIS SIP**

The Trustee will review this SIP in response to any material changes to any aspects of the Scheme.



## Appendix A – Division of Duties and Responsibilities

Duties and Responsibilities	Executed By
<ol style="list-style-type: none"> <li>1. Overall responsibility for the Scheme's investments, including defining the range of investment options offered.</li> <li>2. Set investment objectives and investment strategy.</li> <li>3. Define the Terms of Reference for the Investment Committee.</li> <li>4. Appoint the members of the Investment Committee.</li> <li>5. Appoint the Investment Consultant.</li> <li>6. Consider recommendations from the Investment Committee.</li> </ol>	The Trustee
<p>The Terms of Reference for the Investment Committee explicitly details the role of the Investment Committee. This includes the following:</p> <ol style="list-style-type: none"> <li>1. Ensuring the management of the Scheme's assets is consistent with the Statement of Investment Principles and any other guidelines set by the Trustee.</li> <li>2. Monitoring the Scheme's investment objectives and strategy and recommending changes to the Trustee as appropriate.</li> <li>3. Incorporating output from the ESG working group into strategic investment decisions</li> <li>4. Monitoring the range of investment options provided under the DC section, the performance and continued suitability of the Investment Managers and the manner in which the members have access to the options (this includes, inter alia, reviewing the nature of any default options).</li> <li>5. Appointment and termination of the Investment Managers.</li> <li>6. Members of the Investment Committee meeting the investment managers on a regular basis to discuss their performance, actions and future strategy.</li> <li>7. Reviewing periodically the Statement of Investment Principles.</li> <li>8. Reporting to the Trustee Board on all relevant matters.</li> <li>9. Preparing and / or advising on member communications relating to investment matters for the Scheme.</li> <li>10. Monitoring compliance with the investment related items of the Scheme's risk register, and updating the risks as required.</li> </ol>	The Investment Committee
<ol style="list-style-type: none"> <li>1. Advise on the selection of Investment Managers.</li> <li>2. Assist in monitoring the Investment Managers on a calendar quarterly basis, providing both qualitative and quantitative input to the Investment Committee.</li> <li>3. Advise on the implementation of mandates.</li> <li>4. Advise on the Statement of Investment Principles.</li> </ol>	The Investment Consultant
<ol style="list-style-type: none"> <li>1. Operate within the conditions set down by the Investment Management Agreement ("IMA") or other fund governing documentation.</li> <li>2. Select individual investments with regard to their suitability and diversification, and in accordance with their ESG policies.</li> <li>3. Supply the Trustee and the Investment Committee with sufficient information each quarter to allow the review of activity.</li> </ol>	The Investment Managers

<b>Duties and Responsibilities</b>	<b>Executed By</b>
<ol style="list-style-type: none"> <li>1. Through a policy of insurance, the Platform Provider offers a range of underlying funds.</li> <li>2. In addition, the Provider will:               <ol style="list-style-type: none"> <li>a. Invest and disinvest cashflows</li> <li>b. Rebalance blended funds</li> <li>c. Co-ordinate asset transitions</li> <li>d. Provide the Trustee with a quarterly statement of the assets and cash flows and a quarterly report on the results of past actions and any changes to the investment process</li> <li>e. Inform the Trustee of any changes in the performance objective or guidelines of any underlying funds used by the Scheme as soon as practicable</li> <li>f. Provide member fund factsheets.</li> </ol> </li> </ol>	<p>The Investment Platform Provider</p>

## Appendix B - Alternative Lifestyle Strategy

In addition to the Primary Default (Lifestyle Targeting Income Drawdown) and Legacy Default (Lifestyle Targeting an Annuity) the Trustee also makes available the Lifestyle Targeting Cash, which members can choose. The asset allocation transitions for these are set out below.

### Lifestyle Targeting Cash

<b>Term to Target Retirement Date</b>	<b>Global Blended Equity Fund</b>	<b>Growth Fund</b>	<b>Pre-Annuity Fund</b>	<b>Cash Fund</b>	<b>Total</b>
25 years or more	100.0	0.0	0.0	0.0	100.0
24 years	93.3	6.7	0.0	0.0	100.0
23 years	86.7	13.3	0.0	0.0	100.0
22 years	80.0	20.0	0.0	0.0	100.0
21 years	73.3	26.7	0.0	0.0	100.0
20 years	66.7	33.3	0.0	0.0	100.0
19 years	60.0	40.0	0.0	0.0	100.0
18 years	53.3	46.7	0.0	0.0	100.0
17 years	46.7	53.3	0.0	0.0	100.0
16 years	40.0	60.0	0.0	0.0	100.0
15 years	33.3	66.7	0.0	0.0	100.0
14 years	26.7	73.3	0.0	0.0	100.0
13 years	20.0	80.0	0.0	0.0	100.0
12 years	13.3	86.7	0.0	0.0	100.0
11 years	6.7	93.3	0.0	0.0	100.0
10 years	0.0	100.0	0.0	0.0	100.0
9 years	0.0	100.0	0.0	0.0	100.0
8 years	0.0	100.0	0.0	0.0	100.0
7 years	0.0	87.5	12.5	0.0	100.0
6 years	0.0	75.0	25.0	0.0	100.0
5 years	0.0	62.5	37.5	0.0	100.0
4 years	0.0	50.0	50.0	0.0	100.0
3 years	0.0	37.5	37.5	25.0	100.0
2 years	0.0	25.0	25.0	50.0	100.0
1 year	0.0	12.5	12.5	75.0	100.0
On Target Retirement Date	0.0	0.0	0.0	100.0	100.0

Details of how contributions are invested during the switching phase, which is different to the tables above, are available on the UK Benefits Portal.