UBS (UK) Pension and Life Assurance Scheme

Statement of Investment Principles – Part Two (DC Section)

June 2024

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 and General Code of Practice (from 27 March 2024).

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 Drawdown). This is the "Primary Default". Some members are invested in other default strategies, namely Lifestyle Targeting Annuity (the "Legacy Annuity Default") and the legacy Lifestyle Targeting Income Drawdown (the "Legacy Drawdown 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 three default investment options – Primary Default, Legacy Drawdown Default and Legacy Annuity Default – 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.

Changes were made to the Primary Default in June 2024. At the date the changes to the Primary Default were undertaken, the Trustee is maintaining the previous allocation as the Legacy Drawdown Default, for those members invested in Lifestyle Targeting Drawdown who were within one year, or past, their Target Retirement Date. This Legacy Drawdown Default will be closed and any remaining members' assets transferred to the Primary Default between June – September 2025.

The Trustee is also maintaining the Legacy Annuity 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 in September 2021.

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".

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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 Legacy Drawdown Default and the eight-year period prior to a member's Target Retirement Date in the Legacy Annuity 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

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Trustee decided to maintain the Legacy Annuity Default and Legacy Drawdown Default, for members who were close to, or past, their Target Retirement Date at the date of previous changes to the Primary 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, the Legacy Drawdown Default and the Legacy Annuity 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.

<table>
<tr><th colspan="2">Type of Risk</th><th>Description</th><th>How is the risk managed and measured?</th></tr>
<tr><td rowspan="3">Market Risk</td><td>Inflation Risk</td><td>The risk that the investment return over members' working lives will not keep pace with inflation.</td><td rowspan="3">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.</td></tr>
<tr><td>Currency Risk</td><td>The risk that fluctuations in foreign exchange rates will cause the sterling value of overseas investments to fluctuate.</td></tr>
<tr><td>Credit Risk</td><td>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.</td></tr>
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Type of Risk	Description	How is the risk managed and measured?
Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the market value of investments.	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.

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Type of Risk	Description	How is the risk managed and measured?
Pension Conversion Risk	Member’s investments do not match how they would like to use their pots in retirement.	The Trustee makes available three lifestyle strategies for members. 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. 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 Drawdown Default for those members who were invested in Lifestyle Targeting Drawdown and were within one year, or past, their Target Retirement Date at the date changes to the Primary Default were undertaken. The Trustee is also maintaining the Legacy Annuity Default for those members who were fully invested in Lifestyle Targeting 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). 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.
Liquidity Risk	The risk that the member’s assets in the Scheme cannot be realised at short notice in line with demand.	The Scheme’s assets are invested in daily dealt and daily priced pooled funds, via an insurance policy with Mobius Life. Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.

Type of Risk	Description	How is the risk managed and measured?
Investment Manager Risk	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.	The Trustee considers fund returns relative to appropriate comparators. This is monitored on a quarterly basis. The Trustee considers the Investment Consultant's rating of the investment managers on an ongoing basis and prior to implementation.
Environmental, Social and Governance Risk	The risk that ESG factors, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of this risk has been considered and investment managers are expected to integrate this into their processes. The Trustee reviews the investment managers' policies and actions in relation to this from time to time. The Trustee policy on Responsible Investment and Corporate Governance is set out in Section 9.

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 Drawdown Default for those members who were invested in Lifestyle Targeting Drawdown and were within one year, or past, their Target Retirement Date at the date changes to the Primary Default were undertaken (June 2024).

The Trustee is also maintaining the Legacy Annuity Default for those members who were fully invested in Lifestyle Targeting 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 (85%) invested through retirement, making drawdowns on an ad hoc basis, and allowing withdrawal of cash (15%). 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 Drawdown)

Term to Target Retirement Date	Global Blended Equity Fund	Growth Fund	Cash Fund	Total
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

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Term to Target Retirement Date	Global Blended Equity Fund	Growth Fund	Cash Fund	Total
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	95.0	5.0	100.0
1 year	0.0	90.0	10.0	100.0
On Target Retirement Date	0.0	85.0	15.0	100.0

The Legacy Drawdown 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 Legacy Drawdown Default will take place as set out in the following table:

Legacy Drawdown Default (legacy Lifestyle Targeting Income Drawdown)

Term to Target Retirement Date	Global Blended Equity Fund	Growth Fund	Cash Fund	Total
25 years or more	100.0	0.0	0.0	100.0
24 years	93.3	6.7	0.0	100.0

Term to Target Retirement Date	Global Blended Equity Fund	Growth Fund	Cash Fund	Total
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 Annuity 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 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 Annuity will take place as set out in the following table:

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Legacy Annuity Default (Lifestyle Targeting Annuity)

Term to Target Retirement Date	Global Blended Equity Fund	Growth Fund	Pre-Annuity Fund	Cash Fund	Total
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 four lifestyle strategies which members can choose to invest in themselves – Lifestyle Targeting Drawdown (which is the Primary Default), legacy Lifestyle Targeting Income Drawdown (which is the Legacy Drawdown Default), Lifestyle Targeting Annuity (which is the Legacy Annuity 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 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.

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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:

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

Growth Fund:

Asset Class	Benchmark allocation (%)
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
Total	**100.0**

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:

Fund	Date of Change	Reason
Growth Fund	February 2024	As a result of Scottish Widows closing one of the Scheme’s policies, assets invested in the Scottish Widows Managed Fund were transferred into the Growth Fund by default.
Global Blended Equity Fund	November 2022	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.
Cash Fund	February 2024	<u>Scottish Widows Funds</u> As a result of Scottish Widows closing one of the Scheme’s legacy policies, assets invested in the Scottish Widows Property and Scottish Widows Cash funds were transferred into the Cash Fund by default.
	May 2020	<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).
	March 2020	<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.
	February 2018	<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.

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Fund	Date of Change	Reason
Cash Fund	January 2018	GAM Hedge Fund 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.

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:

Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Growth Fund	The fund aims to achieve long-term capital growth in excess of inflation, whilst aiming to limit downside risk relative to equities, by investing across multiple return-seeking asset classes.	The Trustee's objective in using this fund as an Additional Default is to aim to achieve long-term capital growth, whilst aiming to limit downside risk relative to equities. It is also appropriate as the cost of this fund is below the charge cap. The fund is expected to be towards the middle of the range of expected volatilities of the funds available in the Scheme.

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Fund	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
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.	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. The fund has one of the highest expected volatilities of the funds available in the Scheme.
Cash Fund	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. The fund invests in high quality, short term money market and fixed income securities.	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. The fund has the lowest expected volatility of the funds available in the Scheme.

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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

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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.

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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 manage 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.

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Appendix A – Division of Duties and Responsibilities

Duties and Responsibilities	Executed By
1. Overall responsibility for the Scheme’s investments, including defining the range of investment options offered. 2. Set investment objectives and investment strategy. 3. Define the Terms of Reference for the Investment Committee. 4. Appoint the members of the Investment Committee. 5. Appoint the Investment Consultant. 6. Consider recommendations from the Investment Committee.	The Trustee
The Terms of Reference for the Investment Committee explicitly details the role of the Investment Committee. This includes the following: 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. 2. Monitoring the Scheme’s investment objectives and strategy and recommending changes to the Trustee as appropriate. 3. Incorporating output from the ESG working group into strategic investment decisions 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). 5. Appointment and termination of the Investment Managers. 6. Members of the Investment Committee meeting the investment managers on a regular basis to discuss their performance, actions and future strategy. 7. Reviewing periodically the Statement of Investment Principles. 8. Reporting to the Trustee Board on all relevant matters. 9. Preparing and / or advising on member communications relating to investment matters for the Scheme. 10. Monitoring compliance with the investment related items of the Scheme’s risk register, and updating the risks as required.	The Investment Committee
1. Advise on the selection of Investment Managers. 2. Assist in monitoring the Investment Managers on a calendar quarterly basis, providing both qualitative and quantitative input to the Investment Committee. 3. Advise on the implementation of mandates. 4. Advise on the Statement of Investment Principles.	The Investment Consultant
1. Operate within the conditions set down by the Investment Management Agreement (“IMA”) or other fund governing documentation. 2. Select individual investments with regard to their suitability and diversification, and in accordance with their ESG policies. 3. Supply the Trustee and the Investment Committee with sufficient information each quarter to allow the review of activity.	The Investment Managers

Duties and Responsibilities	Executed By
1. Through a policy of insurance, the Platform Provider offers a range of underlying funds. 2. In addition, the Provider will: a. Invest and disinvest cashflows b. Rebalance blended funds c. Co-ordinate asset transitions 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 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 f. Provide member fund factsheets.	The Investment Platform Provider

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Appendix B - Alternative Lifestyle Strategy

In addition to the Primary Default (Lifestyle Targeting Drawdown), Legacy Drawdown Default (legacy Lifestyle Targeting Income Drawdown) and Legacy Annuity Default (Lifestyle Targeting 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

Term to Target Retirement Date	Global Blended Equity Fund	Growth Fund	Cash Fund	Total
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	75.0	25.0	100.0
2 years	0.0	50.0	50.0	100.0
1 year	0.0	25.0	75.0	100.0
On Target Retirement Date	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.

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