

STATE STREET UK PENSION & LIFE ASSURANCE SCHEME

Statement of Investment Principles

1. Introduction

- 1.1 The Trustees of the State Street UK Pension & Life Assurance Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the 1995 Pensions Act (the “Act”) and related regulations. It sets out the principles that govern decisions about the investments of the Scheme. A description of the Scheme’s current investment arrangements, based on these principles, can be found in the Scheme’s Investment Policy Implementation Document (“IPID”).
- 1.2 Under the requirements of the Act, the Trustees have also taken and considered written advice from its investment advisor, Mercer Ltd, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 1.3 As required under the Act the Trustees have consulted a suitably qualified person and have obtained written advice from Mercer Limited (“Mercer”), which is regulated by the Financial Conduct Authority (“FCA”). The Trustees in preparing this Statement have also consulted State Street Bank & Trust Company (the “Company”), as Sponsor of the Scheme, in particular on the Trustees’ investment objectives. The Trustees have sought to adopt investment arrangements that are in keeping with best practice, including the Principles for Investment Governance as published by the Regulator’s Investment Governance Group.
- 1.4 The Scheme divides into two components. The Defined Benefit Section is dealt with in Section 2, while the Defined Contribution Section is covered in Section 3. Sections 4 to 9 apply to both Sections.

2. Defined Benefit (“DB”) Section

2.1 Investment Policy

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their investment consultant, Mercer, and is driven by their investment objectives as set out below. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to professional investment managers.

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have considered their investment objectives and adopted the following:

- To ensure that there are sufficient assets to meet benefit payments as and when they fall due.
- To maintain a high probability of achieving and maintaining a fully funded position on the Scheme’s actuarial valuation basis in accordance with advice received by the Actuary and as agreed with the Company from time to time.

2.2 The Trustees' policy with regard to managing and monitoring risk

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme:

- Funding level and mismatching risk – The Trustees invest in asset classes which are expected to demonstrate volatility when compared to the development of the Scheme's liabilities, measured on a Technical Provisions basis. This policy is adopted in anticipation of achieving returns based on a prudent set of assumptions consistent with those assumed in the actuarial valuation. The Trustees have considered a number of investment strategies with varying degrees of risk relative to the Scheme's liabilities. In determining an appropriate level of risk (or expected volatility) the Trustees have considered:
 - a) The strength of the Company's covenant and attitude to risk (see below).
 - b) Future contribution rate requirements.
 - c) Likely fluctuations in funding level.
 - d) The required return to retain a fully funded position for the life of the Scheme in conjunction with the funding policy.
 - e) The Trustees' tolerance to deterioration in the funding level as a result of taking risk.
 - f) The term and nature of the Scheme's liabilities.

To monitor the volatility of the Scheme's funding level and the success or otherwise of the investment decisions, the Trustees monitor on a quarterly basis:

- a) The return on the assets, the benchmark and the liabilities.
 - b) Estimated funding level development.
- Sponsor Risk – There is the risk that the Company may not have the ability to meet its financial commitments to the Scheme. The Trustees have assessed the Company's ability to underwrite investment risk in this regard.
 - Manager risk – There is the risk that the performance of the investment manager does not meet the expectations of the Trustees and underperforms relative to the benchmark set for the investment manager. The Trustees monitor the investment manager's performance on a quarterly basis, and compare the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The Trustees also examine the risk being run by the investment manager. In particular, the performance reporting reviewed by the Trustees considers the variation in returns of the manager's portfolio against its benchmark and, if applicable, analyses the level of active manager risk taken to achieve the performance.
 - Interest rate risk – The risk that the assets do not move in line with the value placed on the Scheme's liabilities in response to changes in interest rates. This risk is monitored through the funding level monitoring mentioned above. In practise this risk is mitigated by the high level of liability hedging provided by the Scheme's Liability Driven Investment (LDI) mandate.

- Inflation risk – Similar to interest rate risk but concerning inflation. This risk is measured as the nominal value of assets less inflation, resulting in the effective net value, or purchasing power of holdings. It is monitored through the funding level monitoring mentioned above. In practise this risk is mitigated by the high level of liability hedging provided by the Scheme’s LDI mandate.
- Credit risk – The risk that payments due to bond investors might not be made. This risk is controlled through the mandate specifications of the Scheme’s bond managers.
- Currency risk – The risk that the value of the overseas assets changes relative to the sterling based liabilities due to exchange rate fluctuations. The Trustees are comfortable with the level of exposure in the context of the broader risks facing the Scheme.
- Equity market risk – The risk that equity values fluctuate. This risk is considered when the Trustees undertake a review of the Scheme’s investment strategy. The Scheme no longer has a standalone equity allocation, however, the Strategic Diversified Fund would be expected to hold a relatively material portion of the mandate in equity.
- Liquidity risk – The risk that assets are not readily realisable. The Trustees have adopted a strategy that makes due allowance of the need for liquidity of the Scheme’s assets.
- Concentration risk – The risk that the performance of the assets suffers to a large extent due to a high exposure to a single security, asset class or market. The Scheme has adopted a strategy that ensures that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification of the assets:
 - by asset class (Equities and Fixed Interest)
 - by region (UK and overseas)
 - within asset classes (by the use of diversified pooled funds)
- Counterparty risk – State Street Global Advisers Limited (“SSGA”) employ derivatives in the Scheme’s liability hedging mandate for the purposes of gaining additional ‘leveraged’ market exposure. These derivatives are traded directly with other counterparties, which gives rise to counterparty risk, namely the risk that the counterparty is unable to honour their commitment at the maturity of the derivative contract.
- Collateral adequacy risk - As derivative instruments are used to hedge the Scheme’s liabilities, SSGA employ leverage in the liability hedging mandate. Using leverage means small changes in underlying conditions can produce larger changes in the value of the Scheme’s investment than if only physical assets were held (i.e. there is an implied ‘lever effect’). Collateral adequacy is therefore the risk that underlying conditions negatively impact the Scheme to the extent that additional assets will need to be used to support the use of derivatives. SSGA inform the Scheme on a regular basis of the optimal level of collateral, and what relation the current available collateral has to these levels.
- Longevity risk – The risk that members will live longer than anticipated in the Scheme actuary’s funding assumptions, leading to an increase in the value placed on the liabilities.

- Environmental, Social and Governance considerations (including but not limited to climate change) – The Trustee recognises that these risks are considered to be financially material. Further information is set out in Section 8.
- The risk and other factors set out above are those that the Trustee determines to be financially material over the Fund’s anticipated lifetime.

The Trustees continue to monitor these risks.

2.3 Investment Strategy

The investment return objective is to achieve the required rate of return assumed in the Scheme’s actuarial valuation without taking undue risk.

The Trustees have considered the risks identified in 2.2 in consultation with the Company and their advisors.

The Trustees have decided that the benchmark strategy should not be rigid and that the appropriateness of the investment strategy should be reviewed at least annually. The Trustees have concluded that the strategy allocation appropriate to meet the objective set out in Section 2.1 is as follows:

Strategic Diversified Fund	15.0%
Global Buy and Maintain Credit	30.0%
Liability Driven Investment	55.0%

The asset allocation shown above is the allocation following steps to de-risk the Scheme’s investments as agreed and implemented following the most recent investment strategy review as amended. The Trustees monitor any variance away from this strategic benchmark.

The Trustees have agreed a rebalancing policy to ensure that a suitable level of investment risk is maintained. Details of the Trustee’s rebalancing policy can be found in the IPID.

2.4 Day to Day Management of the Assets

The Trustees delegate the day to day management of the Scheme assets to the fund managers SSGA, AXA Investment Managers Limited (“AXA”) and Wellington Management International Limited (“Wellington”). The Trustees are satisfied that the spread of investments by region and the investment managers’ policies on investing in individual securities within each portfolio provides adequate diversification of investments given the circumstances of the Scheme. The custodians of the pooled funds in which the Scheme invests provide the safekeeping of the underlying assets.

Details of the Strategic Diversified Fund, Global Buy and Maintain Credit and Liability Driven Investment Portfolios are set out in the IPID.

3. DEFINED CONTRIBUTION (“DC”) SECTION

3.1 Investment Objectives

The Trustees recognise that individual members have differing investment needs and that these may change during the course of a member’s working life. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should be allowed to make their own investment decisions based on their individual circumstances.

In order to encompass these factors, the Trustees have agreed the following investment objectives:

- To offer members who do not wish to actively select their own investment options, a Default Lifestyle Strategy (described in more detail below).
- To make available a range of investment options so members can choose an investment strategy tailored to their personal investment needs and attitudes.
- To offer funds which allow diversification of risk and long-term capital growth.
- To encourage members to seek independent financial advice to determine the profile of their own investments.
- To review the suitability of the options offered to members and investment manager arrangements on a regular basis.

The Trustees periodically review the suitability of the investment options provided and from time to time will change or introduce additional investment funds as appropriate.

3.2 The Trustees’ Policy with Regard to Managing and Monitoring Risk

The Trustees recognise that “risk” in the context of a defined contribution pension plan is multi-faceted. In broad terms, it’s regarded as the likelihood of failing to achieve the objectives set out in the previous section and have, on the advice of Mercer, taken several measures which are set out in this Statement to mitigate these risks, so far as is possible.

The Trustees have considered risks from a number of perspectives from a DC standpoint. The list below is not exhaustive but covers the main risks that the Trustees consider and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk The real value (i.e. post inflation) value of members’ accounts decreases.	Members are provided with a range of funds, across various asset classes. The majority of funds are expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds). Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.

Risk	How it is managed	How it is measured
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>Two Lifestyle strategies, targeting annuity purchase and cash at retirement are available to members.</p> <p>The Lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. This lifestyling increases the proportion of assets that more closely match the chosen destination as members' approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>Members are provided with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p> <p>For the Dynamic Diversified Fund which targets a non-market benchmark, this is delegated to investment managers.</p>	<p>Regular performance monitoring of the investment funds.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to external investment manager.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Regular performance monitoring of the investment funds.</p> <p>Security of assets review.</p>
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>The Trustees provide diversified investment options that invest in local as well as overseas markets and currencies.</p> <p>Delegated to investment managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Regular performance monitoring of the investment funds.</p> <p>Considering the movements in foreign currencies relative to pound sterling.</p> <p>Within the passively managed Global Equity Fund, managed by SSGA, 50% of the overseas currency exposure is hedged back to sterling.</p>
<p>Operational Risk</p> <p>A lack of robust internal process, people and systems.</p>	<p>Outsourced to the investment consultant.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the ratings of investment strategies from their investment consultant and monitoring these on a regular basis.</p>

Risk	How it is managed	How it is measured
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion. The realised value upon sale may differ from this valuation.</p>	<p>The Dynamic Diversified Fund may hold illiquid assets and the management of valuation risk is delegated to the investment manager.</p> <p>The majority of investment managers invest solely in liquid quoted assets.</p>	<p>Regular performance monitoring of the investment funds and where relevant delegates the monitoring of valuation risk to the investment consultant.</p>
<p>Liquidity Risk</p> <p>Assets may not be readily marketable/ realisable when required.</p>	<p>The Trustees access daily dealt and daily priced pooled funds.</p> <p>Restrictions may be placed on redemptions in certain circumstances. However, this is unlikely to happen.</p>	<p>The pricing and dealing terms of the funds.</p>
<p>Manager Skill / Alpha Risk</p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>The Trustees make available a number of actively managed funds to DC members where they deem appropriate.</p> <p>The Trustees are selective when making actively managed fund available. The majority of funds available are passively managed.</p>	<p>The Trustees consider the ratings of investment strategies from their investment consultant during the selection process.</p> <p>The Trustees monitor performance and rating of funds on a regular basis relative to the fund's benchmark and stated targets/objective.</p>
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Scheme e.g. extreme weather events, poor governance.</p>	<p>Delegated to investment manager.</p> <p>The Trustees' policy on ESG risks is set out in Section 8 of this Statement.</p>	<p>The Trustees review their external investment managers' policies and actions in relation to this on a regular basis.</p> <p>ESG ratings of managers are provided by the investment consultant.</p>

The above are in relation to what the Trustees consider 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations should be viewed at a member level. This will be dependent on the member's age and their Target Retirement Date. It is for this reason that lifestyle options are available to members.

3.3 Investment Strategy

To satisfy the objectives outlined in Section 3.1 and help members address the risks they face (as described in Section 3.2), the Trustees offer members a broad range of funds, asset classes and investment approaches from which to choose. The current fund range is summarised below:

Global Equity Fund (hedged) - Passive
 UK Equity Fund – Passive
 Dynamic Diversified Fund
 UK Fixed Interest Gilt Fund - Passive
 UK Index-Linked Gilt Fund - Passive
 Pre-Retirement Bond Fund
 Cash Fund

In addition to the above funds, members can select one of the two lifestyle options. The Annuity Lifestyle Strategy (detailed in section 3.4) is the default investment strategy, which is used for members who do not make an active investment choice. Further details of the two lifestyle strategies are set out in the IPID.

3.4 The Default Strategy

The default investment arrangement, known as the Annuity Lifestyle Strategy, adopts a pre-set investment strategy. When a member is more than ten years away from their targeted retirement age, their account is invested in the Global Equity Fund (hedged) – Passive which aims for long-term growth in excess of inflation. Ten years from their target retirement age, assets are gradually switched into lower-risk funds which aim to provide greater stability by targeting the purchase of a level annuity and the withdrawal of tax-free cash at their target retirement date.

Aims and Objectives

The aims of the DC Section's default strategy, and the ways in which the Trustees seek to achieve these aims are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy.

The default strategy's growth phase structure invests 100% of member's savings in a passively managed global equity fund. These investments are expected to provide long-term growth, above inflation albeit with volatility.

- To provide a strategy that reduces investment risk (relative to annuity prices and tax-free cash benefits) for members as they approach retirement.

As a member's account grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustees believe the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.

In view of the above, the Trustees consider the level of risk within the default strategy in the context of the variability of returns relative to level annuity prices and cash rates.

The Annuity Lifestyle Strategy aims to reduce volatility near retirement via automated switches over a 10-year period prior to a member's selected retirement date. Investments are gradually switched from growth-oriented assets into a combination of a specialist pre-retirement bond fund (to broadly match short-term changes in the price of level annuities) and a cash fund for capital preservation purposes.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Scheme to buy a level annuity and take a 25% tax-free cash lump sum at retirement.

At the member's selected retirement date, 75% of the member's assets will be invested in a specialist pre-retirement bond fund and 25% in a cash fund with the aim to broadly match retirement benefits.

3.4.1 Policies in relation to the default strategy

The Trustees' policies in relation to the default strategy are:

- The default strategy manages investment risks through a diversified strategic asset allocation consisting of traditional assets i.e. equities, bonds and cash. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default strategy, the Trustees have explicitly considered the trade-off between expected risk and return.
- The Trustees have also taken into account the needs of members with regards to security, quality, liquidity and profitability of a member's portfolio as a whole. The Trustees have designed the default strategy taking account of the assets in the default strategy.
- If members wish to, they can opt to choose their own investment options from a limited range at any time. Members are supported by clear communications in the form of a members' booklet regarding the aims of the default strategy and the access to alternative funds, albeit the Trustees will not provide advice to members on their individual choice of investment options.
- Assets in the default strategy are invested in daily traded pooled funds, which hold highly liquid assets. The pooled funds are commingled investment vehicles with the management, selection, retention and realisation of assets delegated to the investment managers.
- The Trustees have considered risk from a number of perspectives in relation to the default investment option. The list below is not exhaustive but covers main risks.

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>During the growth phase of the default investment option members are invested in a global equity fund which is expected to grow their pension savings in excess of inflation.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The default investment option is a lifestyle strategy which targets annuity purchase at retirement.</p> <p>The Trustees believe that a strategy targeting annuity purchase minimises the overall pension conversion risk for members who would use their pension savings to buy an annuity at retirement.</p> <p>Members have the option to invest in a lifestyle strategy that targets 100% cash at retirement or other self-select options.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices.</p> <p>As part of the triennial default strategy review, the Trustees review whether the default destination remains appropriate by considering the membership profile, market trends and how members have previously accessed their pension savings.</p>

Risk	How it is managed	How it is measured
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members.</p>	<p>Regular performance monitoring of the investment funds.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to external investment manager.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Regular performance monitoring of the investment funds.</p> <p>Security of assets review.</p>
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>Half of the equity allocation of the default investment option is currency hedged.</p> <p>Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustees.</p>	<p>Monitoring the performance of investment funds on a regular basis.</p> <p>Consideration to the movements in foreign currencies relative to pound sterling.</p>
<p>Operational Risk</p> <p>A lack of robust internal process, people and systems.</p>	<p>Outsourced this to the investment consultant. Incorporated into the investment consultant's manager ratings.</p>	<p>Considering the ratings of investment strategies from their investment consultant and monitoring these on a regular basis.</p>
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion. The realised value upon sale may differ from this valuation.</p>	<p>The default investment option invests solely in liquid quoted assets.</p>	<p>Regular performance monitoring of the investment funds and where relevant delegates the monitoring of valuation risk to the investment consultant.</p>
<p>Liquidity Risk</p> <p>Assets may not be readily marketable/ realisable when required.</p>	<p>The Trustees access daily dealt and daily priced pooled funds.</p> <p>Restrictions may be placed on redemptions in certain circumstances. However, this is unlikely to happen.</p>	<p>The pricing and dealing terms of the funds.</p>
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Scheme e.g. extreme weather events, poor governance.</p>	<p>Delegated to investment manager.</p> <p>The Trustees' policy on ESG risks is set out in Section 8 of this Statement.</p>	<p>The Trustees review their external investment managers' policies and actions in relation to this on a regular basis.</p> <p>ESG ratings of the managers are provided by the investment consultant.</p>

- The risks identified in the above table are considered by the Trustees to be 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that a number of lifestyle options have been made available to members including the default investment option.

- Member views on non-financial matters are not taken into account in the selection, retention and realisation of investments.
- If members wish to, they can opt to choose their own investment strategy or the alternative lifestyle strategy on joining, but also at any other further date.

3.4.2 Suitability of Default Investment Strategy

Based on their understanding of the Scheme's membership, the Trustees believe that the above objectives and policies reflect members' best interests. The rationale underpinning this belief is as follows:

- The Trustees believe that most members save into a pension scheme to achieve a stable income in retirement. The targeting of an annuity purchase at retirement during the consolidation phase is aligned with that objective. This does not mean that members have to take their benefits in this format at retirement - it merely determines the investment strategy that will be in place pre-retirement.
- The default strategy is aimed largely at members who do not wish to make investment decisions. Again, the Trustees believe that an annuity purchase providing a secure income at retirement is likely to be the preferred course for many such members.
- Based on Scheme experience to date, almost all members withdraw tax-free cash at retirement. The use of the Cash fund within the default option addresses that requirement.
- Members seeking an adequate income in retirement will likely need to achieve real investment returns for most of their period as pension savers. This requirement is addressed by the default strategy investing in global equities prior to ten years to the target retirement age.

3.5 Additional Defaults

There are a number of cases where the Trustees have sought to close funds for various reasons, noted in detail in 3.5.1. Due to these actions being taken, the Trustees have appointed suitable replacement funds based on all relevant factors for each closure, explained in more detail in 3.5.2.

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees have identified that investment options listed in the table below are to be treated as 'default arrangements' (as defined by these regulations) in addition to the current default investment option (as detailed in 3.4). These have been identified as 'default arrangements' as member contributions have been automatically directed to replacement funds without members having instructed the Trustees where their savings and future contributions are to be invested.

The performance of these funds are monitored regularly, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

3.5.1 The following table provides details of these Additional Defaults:

Fund(s)	Reason for identification as a 'default arrangement'	Date categorised as a default arrangement
SSGA UK Equity Fund	Old Mutual Wealth announced their intention to close their institutional investment platform. The Trustees, having taken advice from their investment consultants, decided to transfer members' existing savings and future contribution choices in the UK Equity Fund – Active to the SSGA UK Equity Fund – passive on behalf of members (i.e. without their consent).	8 July 2019
SSGA Global Equity	Old Mutual Wealth announced their intention to close their institutional investment platform. The Trustees, having taken advice from their investment consultants, decided to transfer members' existing savings and future contribution choices in the Global Equity Fund – Active to the SSGA Global Equity Fund – passive (50% currency hedged) on behalf of members (i.e. without their consent).	8 July 2019
SSGA Dynamic Diversified Fund	Old Mutual Wealth announced their intention to close their institutional investment platform. The Trustees, having taken advice from their investment consultants, decided to transfer members' existing savings and future contribution choices in the Multi-Asset Fund and the Property Fund to the SSGA Dynamic Diversified Fund on behalf of members (i.e. without their consent).	8 July 2019

3.5.2 In addition to the Trustee's Investment Aims & Objectives (covered in Section 3.1), the Trustee's policies in respect of these Additional Defaults is summarised in the table below:

Fund	Trustee's policies
SSGA UK Equity Fund	<p>Trustee's Aims and Objectives</p> <p>To provide members with a fund that:</p> <ul style="list-style-type: none"> – aims to invest in UK shares; and – seeks to produce a return in line with performance of FTSE All-Share Index
SSGA Global Equity (hedged)	<p>Trustee's Aims and Objectives</p> <p>To provide members with a fund that</p> <ul style="list-style-type: none"> – invests 50% in UK shares and 50% in overseas shares (partially hedging the currency risk of investing in overseas shares); and – seeks to produce a return in line with 50% FTSE All Share Index and 50% FTSE World (ex UK) Index (50% hedged)
SSGA Dynamic Diversified	<p>Trustee's Aims and Objectives</p> <p>To provide members with a fund that</p> <ul style="list-style-type: none"> – invests in a wide range of asset classes including shares, loans to Government and non-Government institutions, property and other asset classes; and – seeks to produce a return in excess of LIBOR 1 Month GBP by 4% per year over a five-year period

Fund	Trustee's policies
Applies to All Additional Defaults	<p>The following applies to each of the Additional Defaults noted above:</p> <p><i>Trustee's Aims and Objectives</i></p> <ul style="list-style-type: none"> - To provide members with a fund that is a suitable replacement for one that has been removed from the Plan. <p>The following apply to each of the Additional Defaults noted above, as well as to the broader fund range:</p> <p><i>The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments</i></p> <p>The Trustee considered the managers' policies relating to social, environmental or ethical considerations on appointment and will receive ongoing reports from the manager on the implementation of these policies. However, given that these are pooled funds, the investment managers will have full discretion (within the constraints of their mandates) on how social, environmental or ethical considerations are implemented in the selection, retention and realisation of investments. Further information on the actions the Trustees take with regard to investing responsibly can be found in Section 8.</p> <p><i>The realisation of investments</i></p> <p>The Trustees have considered these manager and mandate appointments noting that the selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds.</p>

Further information on these Additional Defaults in the Plan are included in the IPID.

4. **The Trustees' policy with regard to diversification and suitability**

The Trustees manage the investments in the expectation that the Scheme will continue. If they become aware of circumstances which lessen their certainty over this, the Trustees will take steps to adjust the investment strategy as appropriate.

The Trustees, in consultation with their advisors, consider the diversification of assets within the various funds in both the DB and DC sections (including the default fund) of the Scheme to be suitable with regard to the liability profile of the Scheme and that the diversification has been achieved without undue concentration in any particular asset. In view of the possibility that the liability profile of the DB section may change, the Trustees will periodically re-examine the suitability of the approach in conjunction with their advisors.

The Agreements with SSGA, AXA and Wellington and the terms and conditions with the other investment managers include a number of guidelines which, among other things, are designed to ensure diversification of assets and that only suitable investments are held by the funds. These agreements provide for diversification and limits on individual holdings.

5. **Other assets**

The Trustees make available a range of pooled investment vehicles with Standard Life for investment of Additional Voluntary Contributions (AVCs). These include several unit trusts and a unitised with profits policy. In addition, the Trustees use a bank account administered by Mercer.

6. Realisation of investments

In the event the Trustees need to raise cash from the investment manager(s) they will instruct the manager(s) or platform provider to sell units. The manager(s) or platform provider will do this by realising underlying investments as necessary.

7. Monitoring the investment managers

The Trustees retain Mercer as investment consultants to provide independent analysis of the returns associated with the DC section achieved by the investment managers and the monitoring of the DB section's assets, liabilities and estimated funding level.

8. Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and environmental, social and governance ("ESG") are important issues which materially impact investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

Financially material considerations, include (but is not limited to) ESG considerations (including but not limited to climate change) are considered by the Trustees.

The Trustees have given appointed investment managers full discretion when evaluating ESG factors, including climate change considerations, and in exercising rights and stewardship obligations attached to the Scheme's investments (including the default fund in the DC section).

Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code (the Code).

With the assistance of their advisors, the Trustees undertake an assessment, usually annually, of the Scheme's investment managers with regards to how ESG, climate change and stewardship is integrated within investment processes. The Scheme's investment managers are monitored and rated by the investment consultant for their integration of ESG into their investment process and for their engagement with companies on these issues, where this is relevant for the Scheme. In the past, the Trustees have challenged the ESG integration processes of the actively managed AXA and Wellington Buy and Maintain Credit funds, contributing to the managers making improvements in these areas. These considerations are also taken into account when appointing new investment managers. The Trustee also intends to assess climate risk as part of the next formal investment strategy review with the assistance of their advisors.

Member views

Member views in respect of non-financial matters are not taken into account in the selection, retention and realisation of investments, but members can make their views known to the Trustee. This position is reviewed periodically.

Investment Restrictions

As the Trustees invest in pooled investment vehicles they accept that they have no ability to set any investment restrictions on the appointed investment managers in relation to particular products or activities. Any restrictions would be set by the investment managers.

Aligning manager appointments with investment strategy

In line with sections 2-4 of this SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required of the asset class they are selected for.

The Trustees look to their investment consultant for their forward looking assessment of a manager's ability to outperform and / or meet the objective set (e.g. in the case of "passive" or "buy and maintain" management) over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund or strategy that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and termination of manager appointments. The Trustees are satisfied that the current managers are rated favourably by the investment consultant.

If the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

The majority of the underlying strategies invested in through the Strategic Diversified Fund are passively managed whilst the asset allocation of the Fund is actively managed. The AXA and Wellington Buy and Maintain Credit funds are actively managed and the Trustees will periodically review the appropriateness of using actively managed funds (on an asset class basis).

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees will also consider, on an annual basis, the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment managers' policy on voting and engagement where appropriate, albeit noting that the Scheme no longer holds direct equity (although there is equity held indirectly via the SDF). The Trustees will use this assessment in decisions around selection, retention and termination of the manager.

The Trustees can review the decisions made by their managers, including voting history (in respect of equities) and engagement activity where appropriate, and can challenge such decisions to try to ensure the best performance over the medium to long term.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

Evaluating investment manager performance

Trustees receive investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees review the absolute performance and relative performance against a suitable index used as the benchmark, on a gross of fees basis. The Trustees' focus is on long term performance but may still engage with managers if there are particular short to medium term performance concerns.

In relation to the DC assets, as part of the annual Value for Members ("VfM") assessment, the Trustees review the investment manager fees, past performance, the investment consultant's manager ratings and overall member experience.

Portfolio turnover costs

The Trustees do not currently monitor portfolio turnover but may consider doing this where information is available and as part of future governance reviews.

Manager turnover

The Trustees may engage with a manager if portfolio turnover is higher than appropriate, bearing in mind market circumstances. This may be assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

For all funds invested in by the Scheme (which are open-ended investment vehicles), there is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustees have decided to terminate.

All the funds are open-ended with no set end date for the arrangement. In relation to DC assets, the Fund Range and Default Strategy are reviewed on a regular basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

9. Compliance with and review of this Statement

The Trustees will monitor compliance with this Statement annually. They will review the Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy. As part of the review, the

Trustees will take expert investment advice and consult the Company. In the absence of any material changes, the Statement will be reviewed at least every three (3) years.

Signed: _____ Date: _____

Name: _____

Signed: _____ Date: _____

Name: _____