MILLENNIUM & COPTHORNE DC PENSION PLAN

STATEMENT OF INVESTMENT PRINCIPLES – 2024 EDITION

APRIL 2024

TABLE OF CONTENTS

1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustee of the Millennium & Copthorne DC Pension Plan ("the Plan") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, Mercer Limited, whom it believes to have a degree of knowledge and experience that is appropriate for the management of the Plan's investments; and
- Consulted with the Principal Employer, although the Trustee affirms that no aspect of this strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee's investment policy for the Plan.

The Trustee will review the Statement formally at least every three years to ensure its ongoing suitability. Furthermore, the Trustee will review the Statement following any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Principal Employer.

2 INVESTMENT RESPONSIBILITIES

2.1 Trustee's duties and responsibilities

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustee carries out its duties and fulfils its responsibilities as a single body. The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- Selecting funds for member choices
- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment advisers
- The compliance of the investment arrangements with the principles set out in the Statement

2.2 Investment adviser's duties and responsibilities

The Trustee has appointed Mercer Limited ("Mercer") as the independent investment adviser to the Plan. Mercer provides investment advice as required by the Trustee, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which Mercer expects to provide advice to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy and structure of the default strategy
- Advising on appropriate member fund choices
- Selecting and replacing investment managers

In considering appropriate investments for the Scheme, the Trustee will obtain and consider written advice from Mercer, whom the Trustee believes to be suitability qualified to provide such advice. 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.

Mercer monitors the performance of the Plan's investment managers against their benchmarks.

Mercer will also advise the Trustee of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Plan is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives. If the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustee accordingly.

Mercer is remunerated on a fee basis for the investment advice it provides and does not receive any commission in relation to the Plan. The Trustee is satisfied that the investment arrangements, including the charging structure, are clear and transparent. Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

Both Mercer and the individual investment consultants who advise the Trustee are authorised and regulated by the Financial Conduct Authority (FCA).

2.3 Investment manager's duties and responsibilities

The Trustee, after considering appropriate investment advice, has appointed a professional, authorised investment manager to manage the assets of the Plan.

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for asset classes being selected.

The Plan invests solely in pooled investment vehicles. The Trustee therefore accepts that it cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustee receives advice from its investment consultant in relation to forward-looking assessments of a manager's ability to outperform over a full market cycle, for mandates where outperformance is the objective. This view will be based on the investment consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment portfolio(s) that the Fund invests in. The consultant's manager research ratings assist with due diligence and the questioning of managers during presentations to the Trustee. The Trustee also uses the ratings when making decisions around selection, retention and realisation of manager appointments.

Details of the manager's mandates and annual management charges applied by the investment manager are set out in Appendix 1. Mercer monitor the Plan's investment manager to ensure its continuing appropriateness to the mandates given and notify the Trustee if the manager is downgraded by Mercer's Manager Research Team.

The Trustee considered a range of active and passive approaches to investment management and assessed these against their investment objectives. The Trustee selected an investment manager having regard to its ability to provide one or more of the identified fund types and their potential to meet the investment objectives of the Plan. Before selecting any investment manager, the Trustee ensures that appropriate due diligence is carried out.

The investment manager is responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage. However, if the investment objective for a particular investment manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

The investment manager engaged by the Trustee is authorised and regulated by the FCA.

Incentivising investment managers

The Trustee incentivises its investment managers to align their investment strategies with the Trustee's policies mentioned in this SIP.

The fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the Trustee's policies.

The investment manager is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Plan. These charges are set out in Appendix 1. None of the underlying managers in which the Plan's assets are invested have performance-based fees which could encourage the manager to make short term investment decisions to hit their targets.

The Trustee therefore considers the method of remunerating fund managers to be consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee accepts that they cannot influence the charging structure of the pooled funds in which the Plan is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

Assessing medium-to-long term performance of investments

Performance in the medium to long term can be improved where investment managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity.

The Trustee, with the assistance of Mercer, monitors how the investment managers make decisions based on the long-term sustainability of investee companies, their own ESG policies and their approach to climate related risks and disclosures. Where the Trustee has concerns, it will raise these with the investment manager.

Duration of arrangements with investment managers
The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis; therefore, there is no set duration for the manager appointments. The Trustee 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 Trustee has decided to terminate.

2.4 Summary of responsibilities

A summary of the responsibilities of all relevant parties, insofar as they relate to the Plan's investments, is set out in Appendix 2.

3 INVESTMENT OBJECTIVES

The Trustee's objective is to provide members with an investment strategy aligned to their needs that will optimise the return on investments in order to build up a savings pot, which will be used in retirement.

3.1 Risks Considered

The Trustee recognises that in a defined contribution arrangement, members assume the investment risks themselves. The Trustee further recognises that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, seven main types of financially significant investment risk can be identified, as noted below:

- **Investment Return Risk**: the risk that a member is not invested in those asset classes that are expected to generate the highest returns over the long run.
- **Volatility risk**: the risk that the value of a member's pot will fluctuate substantially over the investment term.
- **Market Switching Risk**: the risk that arises if there is to be switching between investment vehicles. The risk is that large investment switches are made at one point in time, thereby unnecessarily exposing members to unfavourable market pricing on a particular day.
- **Environmental, social and governance (ESG) risks**: these risk factors can have a significant effect on the long-term performance of the assets the Plan holds. Where applicable these factors will be considered in the investment process.
- **Inflation Risk**: the risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).
- **Liquidity Risk**: as far as is practicable and necessary, the Trustee invests in liquid assets that can be quickly realised as required.
- **Pension Conversion Risk**: the Trustee increases the proportion of assets that more closely match how they expect members to use their pots at retirement.

The Trustee has determined its investment policy in such a way as to address the above risks.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default strategy.

Details of the approach the Trustee has taken to meet these investment objectives are set out in Section 4.

To help mitigate the most significant of these risks, the Trustee has:

- Made a lifestyle strategy available as a default solution, which transitions members' investments from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

When deciding on the investment options available to members, the Trustee took into account the expected return on such investments and was mindful to offer a range of funds with varying levels of expected returns for members to choose from.

When it comes to realisation of investments, the Trustee considers the impact of transaction costs before making any changes.

The Trustee will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

3.2 Fund choices

To balance the investment needs of members, the Trustee offers a range of self-select funds alongside the default investment strategy. Members can opt out of the default strategy as they have the option to invest in self-select funds. The range of investment options cover multiple asset classes and this balance will determine the expected return on members' assets and should be related to the members' own risk appetites and tolerances.

The Trustee has made eight funds available for self-selecting, details of which can be found in Appendix 1.

The Trustee will continue to keep the fund range under review, and will make changes if appropriate.

3.3 Types of investments to be held

The Trustee is permitted to invest across a wide range of asset classes, both active and passive.

Actively managed funds will only be included to the extent that the Trustee has a high level of confidence in the investment manager achieving its performance objectives, net of active investment management fees.

All of the funds in which the Plan invests are pooled and unitised. Details of each fund can be found in Appendix 1.

3.4 Additional voluntary contributions ("AVCs")

The Trustee has made available a range of AVC fund options for members of the Defined Benefit ("DB") Section of the Plan to contribute to, to enhance their benefits at retirement. The DC Section's fund range is available as part of the Plan's AVC offering.

In addition, the Trustee holds AVC assets invested separately from DC Section's fund range in the form of individual insurance policies. Members invested in these policies each receive an annual statement confirming the amounts held to their account and the movements in the year. These policies are held with Prudential Assurance Company Ltd and Zurich Assurance Ltd.

4 DEFAULT INVESTMENT STRATEGY

4.1 Aims and Objectives

The lifestyle strategy operates as a default if a member does not wish to make their own selection of funds, and is designed to be appropriate for a typical member of the Plan.

The default strategy for the Plan is comprised of five funds managed by Legal & General Investment Management ("L&G") which reduces investment risk as members get closer to retirement. The asset allocation at retirement is suitable for members who wish to take their 25% tax free cash lump sum and invest their remaining pot through retirement, drawing down an income.

In determining the investment strategy, the Trustee undertook extensive investigations and has received formal written investment advice from their investment consultants. In designing the default, the Trustee has explicitly considered the trade-off between risk and expected returns.

The default funds available within the main DC section of the Plan are described in detail below.

4.2 The Default Lifestyle Strategy

The Trustee has assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified in Section 3. This is achieved by using a Lifestyle Strategy.

The Default Lifestyle Strategy is designed based on analysis of the membership demographics and other characteristics in order to offer a suitable approach that is tailored to the needs of the Plan's members.

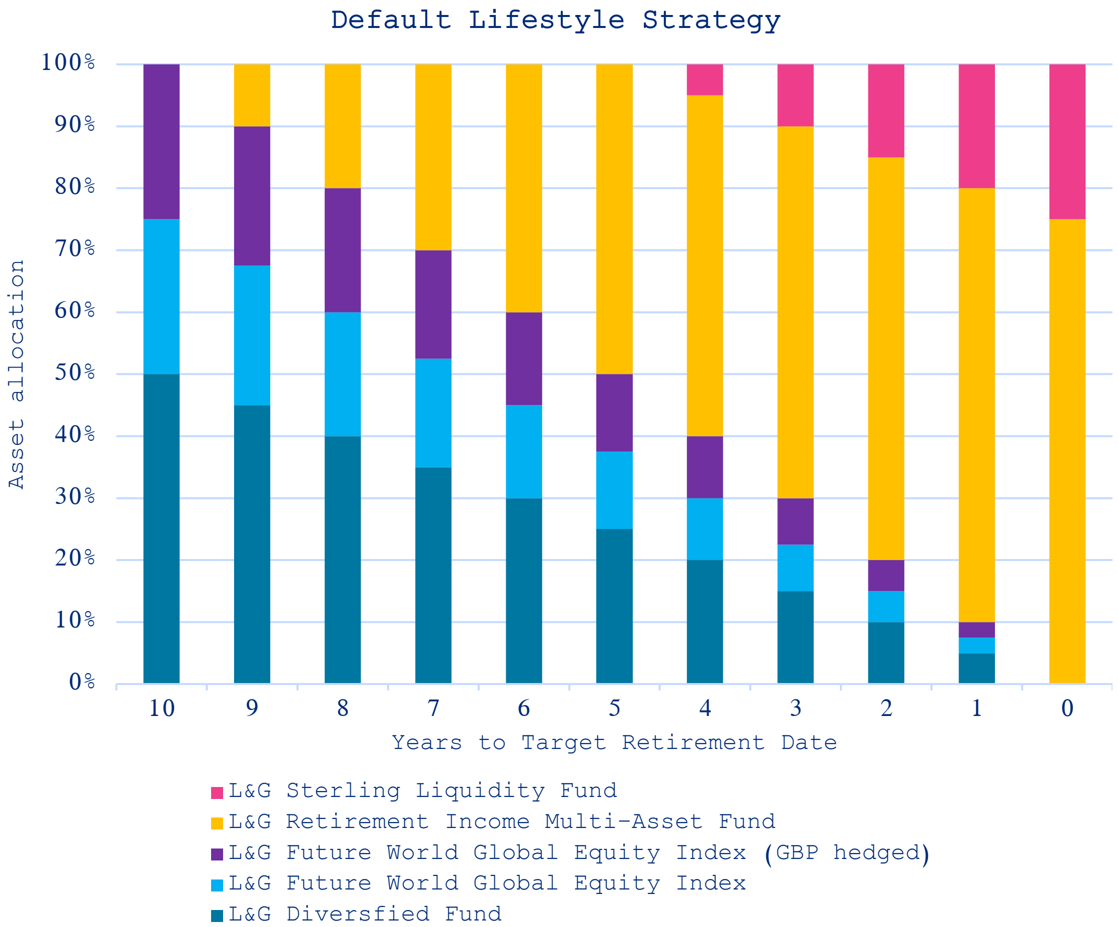
The Default Lifestyle Strategy can be separated into two distinct phases. Initially, it aims to generate long-term growth by investing in the **L&G Diversified Fund, L&G Future World Global Equity Index Fund and the L&G Future World Global Equity Index (GBP Hedged) Fund**.

The L&G Diversified Fund is an actively-managed multi-asset fund which invests in a diverse range of asset classes including equities, corporate bonds, government bonds, and alternatives and aims to produce an equity-like return but with reduced volatility over a full market cycle. The **L&G Future World Global Equity Index Fund** offers broad exposure across developed and emerging equity markets while considering Environmental, Social and Governance ("ESG") factors within the investment approach. This helps mitigate exposure to risks in these areas. Having the currency hedged version of this fund alongside a non-currency hedged version helps mitigate the impact on investment returns of changes in exchange rates of foreign currencies relative to sterling.

Ten years prior to a member reaching their target retirement age, the strategy enters a de-risking phase. This involves a gradual switch of assets out of the three funds noted above into the **L&G Retirement Income Multi Asset Fund** and the **L&G Sterling Liquidity Fund**. When a member reaches retirement they will have 75% and 25% of their savings invested in these funds respectively.

This strategy provides a more diversified investment approach as retirement approaches, aiming to mitigate the impact of sharp falls or volatility in investment markets. The L&G Sterling Liquidity Fund allocation aims to provide capital preservation on this allocation of members' savings.

The Default Lifestyle Strategy is illustrated on the following chart:



Further details relating to these funds used in the strategy can be found in Appendix 1.

All funds are daily-priced pooled investment arrangements, with assets invested in regulated markets, therefore should be realisable at short notice, based on members' demand.

A range of asset classes are included within the default arrangement, including developed market equities, corporate bonds and cash. Both active and passive funds are utilised depending on the asset class.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the default investment strategy. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the membership level. This will be dependent on the members' age and when they expect to retire.

The Trustee will, in particular, review the extent to which the return on investments relating to the default arrangement (after fees) is consistent with the aims and objectives of the Trustee or managers in respect of the default arrangement.

4.3 Additional default arrangements

There are two further investment options provided by the Plan that are classified as 'default arrangements' as per the broader definition of a default in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("the Charges and Governance Regulations 2015"), effective from 6 April 2018.

a) **Legacy Default Lifestyle Strategy**. Members who were within three years of their target retirement age as at 31 October 2023 remained invested in the previous default lifestyle strategy, and were not moved to the current default lifestyle strategy set out in section 4.1 above.

b) **Cash Lifestyle Strategy**. The Trustee created a new default arrangement in December 2022 in relation to AVC investments that were transferred from Utmost Life and Pensions Ltd and Aviva Insurance Ltd. The Cash Lifestyle Strategy is also available for all DC and AVC members to self-select as an investment option.

Details of these two additional default arrangements are set out in Appendix 3. The Trustee's policies set out in section 4 relating to the Default Lifestyle Strategy equally apply to these two additional default arrangements.

4.4 The Trustee's Policy to Risk in relation to the Default Strategy

In addition to the Trustee's Policy to risk monitoring and management set out in Section 6, the Trustee has considered the following items to monitor and manage the risk in relation to the default investment strategy. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. The Trustee has considered how to monitor risks from a number of perspectives in the default investment option. The list below is not exhaustive but covers the additional risks that the Trustee considers specifically with regards to the default and how they are managed.

Volatility risk, Liquidity risk and Pension Conversion Risk – The default option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to the growth phase approaching retirement age and is appropriate for members taking their tax free cash lump and drawing down an income in retirement. The Trustee regularly reviews the Default Lifestyle Strategy to ensure the outcome remains appropriate.

4.5 Members' Best Interests

The Trustee will continue to review the default strategy (a) at least every 3 years; and (b) without delay after any significant change in investment policy or the demographic profile of relevant members. This is in addition to more regular performance monitoring, which takes place quarterly. Member views are not explicitly taken into account in the selection, retention and realisation of investments within the default strategy.

The Trustee strives to ensure the strategy evolves in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members in the Default Lifestyle Strategy.

4.6 Illiquid Assets

The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Plan's Default Lifestyle Strategy includes no direct allocation to illiquid investments or to investments via a collective investment scheme. The Plan's Default Lifestyle Strategy has indirect exposure to illiquid assets through its investment in the LGIM Diversified Fund, which is a multi-asset fund that includes an allocation of c.7% to illiquid assets as at 30 September 2023. This comprises exposure to the following illiquid asset classes: c.5% in UK Physical Property and c.2% in Private Credit. Members are invested in the LGIM Diversified Fund throughout the Default Lifestyle Strategy until they reach selected retirement age.

The Default Lifestyle Strategy also has indirect exposure to illiquid assets through its investment in the LGIM Retirement Income Multi-Asset (RIMA) Fund, which is a multi-asset fund that includes an allocation of c.5% to illiquid assets as at 30 September 2023. This comprises exposure to the following illiquid asset classes: c.1% in UK Physical Property and c.4% in Illiquid Debt. Members begin investing in the LGIM RIMA Fund from nine years before their selected retirement age.

The other funds used in the Default Lifestyle Strategy do not invest in any underlying illiquid assets. However, the Plan has a direct allocation to illiquid assets through the LGIM Property Fund, which is available as a self-select fund for members.

The Trustee is comfortable indirectly investing a small proportion of assets in illiquid investments through a diversified multi-asset fund, to access the potential return and diversification benefits relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustee, it is also highly aware of the risks of investment in illiquid assets to members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time and concerns over liquidity management, the Trustee considers direct investment into an illiquid asset fund, such as a Long Term Asset Fund ("LTAF"), as a potential cause for concern for members of the Plan, although this will be kept under review.

In selecting investments for the Default Lifestyle Strategy, the Trustee uses modelling to consider the combined effects of strategic asset allocations. For any future investment, the Trustee carefully considers whether the investment provides value for members taking account of the potential for returns and associated risks. It is the Trustee's policy to review the Default Lifestyle Strategy on at least a triennial basis. Such reviews will include whether the incorporation of illiquid investments is appropriate.

5 RESPONSIBLE INVESTING

This section below sets out the Trustee's policy in relation to responsible investment issues for the Plan (including the Default Lifestyle Strategy and additional default arrangements).

5.1 Financial Considerations

The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate investment and funding time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors (including but not limited to climate change).

The Trustee recognises that ESG factors, including climate change, can influence the investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustee, with the assistance of Mercer (the Trustee's investment adviser), will take into account ESG factors (including climate change) in the selection, retention and realisation of investments.

The Trustee believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk-adjusted performance as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

When appointing a new investment manager, the Trustee will work with Mercer to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to:

- Ensuring the managers are signatories to UNPRI;
- Reviewing the managers' own ESG policies;
- The ESG ratings assigned by Mercer;
- Investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc.

The Plan's assets are currently invested in pooled funds. The Trustee accepts the fact that it has very limited ability to exert direct influence on the ESG policies and practices of the companies in which its manager invests. The Trustee will therefore rely on the policies and judgement of its investment manager and the Trustee will review those policies with the assistance of Mercer annually at its quarterly trustee meetings, where they will be provided in advance of the meeting and there will be an item within the agenda for discussion of the policies.

The Trustee will continue to review the available products and approaches in this space and strive for the Plan to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

5.2 Non-Financial Considerations

The Trustee's objective is that the financial interests of the Plan members are its foremost priority when choosing investments.

The Trustee only considers factors that are expected to have a financial impact on the Plan's investments. Non-financial matters are not taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan.

5.3 Corporate Governance, Stewardship and Voting Policy

Stewardship

The Plan's stewardship approach focuses on selection, monitoring and, where necessary, switching of underlying investment managers. The Trustee believes that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios (including in respect of ESG factors, including climate change considerations) will lead to better financial results for members. Mercer assist the Trustee in the selection and monitoring of managers to ensure that appropriate managers are selected and to monitor the performance of appointed managers.

The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council and encourages the Plan's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. Mercer check that these reports have been issued on the Trustee's behalf.

Voting

The Trustee expects the Plan's investment managers to use their influence as major institutional investors to pursue the Trustee's rights and duties as an investor in the pooled fund including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good governance, accountability, and positive change.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee (having sought advice) will exercise its right in accordance with what it believes to be the best interests of the majority of the Plan's membership.

Engagement

The Investment Regulations require the Trustee to set out how they undertake engagement activities in respect of their investments, including how they monitor and engage "relevant persons" (i.e. including (but not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity)) about "relevant matters" (i.e. including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risk, social and environmental impact and corporate governance).

The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes that the investment managers are best placed to engage with investee companies on their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. But on occasions, the Trustee may deem it necessary to engage directly with companies on particular ESG-related issues.

There may be occasions when engagement topics identified by the Trustee overlap with engagement efforts of their investment managers, in which case the Trustee will seek to undertake joint engagement with their investment managers.

The Trustee requests details of its investment managers' activities and policy on stewardship and engagement and reviews these annually with input from Mercer at its quarterly trustee meetings. Where the Trustee is concerned about an investment manager's approach to stewardship and engagement, Mercer will engage with the manager on behalf of the Trustee as necessary by communicating with the investment manager to express these concerns and/or request an explanation.

5.4 Member Views

As explained above the Trustee does not explicitly take account of member views when selecting investments for the Plan, however, the Trustee believes that it has an understanding of membership demographics, behaviours and preferences and strives to provide a fund range that meets both financial and non-financially relevant member needs. To that end, an "Ethical" equity fund is available to members to provide them with an opportunity to invest in line with their beliefs and principles. The Trustee is committed to reviewing this policy on a biennial basis.

6 RISK

The Trustee is aware, and seeks to take account, of a number of risks in relation to the Plan's investments, including those set out below. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are also set out below.

Manager risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process through the quarterly performance updates provided by Mercer.

Liquidity risk

- The risk that the Plan's assets cannot be realised at short notice in line with member demand.
- It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

Political risk

- This is measured by the level of concentration of any one market, leading to the risk of an adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate governance risk

- This is assessed by reviewing the Plan's investment manager's policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the manager, who exercise this right in accordance with their published corporate governance policies. Summaries of voting records are reviewed by the Trustee annually. Further information on how we measure ESG and corporate governance risk is highlighted in section 5.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustee acknowledges that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustee will however ensure that it is comfortable with the amount of risk that the Plan's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Plan may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For currency hedged funds, the Trustee acknowledges that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustee acknowledges that the interest rate risk related to individual debt instruments is managed by the underlying investment managers.

Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustee acknowledges that the Plan can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return on the Plan's assets.
- The Trustee manages this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustee is aware that Responsible Investing is one of the core beliefs of Investment Managers and the Investment Advisor. As a result, part of the rating process of the Investment Adviser and decision-making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrated governance and sustainability into its investment process.

7 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 Investment adviser

The Trustee continually assesses and reviews the performance of its adviser in a qualitative way. The Trustee reviews the performance of its investment adviser at least every three years.

6.2 Investment managers

The Trustee receives quarterly information from the Plan's investment manager to assess whether the Plan's investments are performing in line with expectations. These reports present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The Trustee also receives quarterly monitoring reports on the performance of the investment manager from Mercer as an independent check on the performance of the funds that the Plan invests in.

Mercer will advise the Trustee of any significant developments of which it is aware relating to the investment manager, or funds managed by the investment manager in which the assets of the Plan are invested, such that in Mercer's view there exists a significant concern that these funds will not be able to meet their long-term objectives. The Trustee's focus is on long-term performance but may put a manager 'on watch' if there are short-term performance concerns.

The Trustee carries out formal reviews of each of the Plan's investment managers at least every three years.

As well as assessing investment returns, the Trustee will consider a range of other factors, with the assistance of their investment consultant, when assessing the performance of investment managers, which may include:

- How well the investment manager is aligned with the SIP and the Trustee's investment policies;
- Personnel and business change;
- Portfolio characteristics (including risk and compatibility with objectives) and turnover;
- Voting and engagement;
- The quality of the service provided by the investment manager, including the quality of reporting and climate-related disclosure to the Trustee;
- The investment consultant's assessment of ongoing prospects based on the research ratings.

If a manager is not meeting its performance objectives over a sustained period of time and after consideration of all relevant factors, the Trustee may take the decision to terminate the appointment.

The Trustee is a long-term investor. Accordingly, the Trustee does not seek to change the investment arrangements on a frequent basis.

6.3 Portfolio Turnover Costs

The Trustee does not currently monitor portfolio turnover costs for the funds in which the Plan is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range. Targeted portfolio turnover is the frequency within which the assets of the Plan are expected to be bought and sold. Turnover range is the minimum and maximum frequency within which the assets of the Plan are expected to be brought or sold.

Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for the Plan.

The investment managers are expected to report on the turnover of their portfolios at least annually. The Trustee reviews this information and, with the help of its investment advisor, compares the turnover of the manager portfolios with the different market norms and expectations that apply to the various types of strategies in which it invests. Information regarding this is included in the annual Chair’s Statement and Value for Money assessment.

8 CODE OF BEST PRACTICE

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustee. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for the Plan's membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustee has acted in line with the Code of Practice 13.

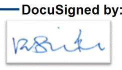
9 COMPLIANCE

The Plan's Statement of Investment Principles is available to members.

A copy of the Plan's current Statement plus Appendices is also supplied to the Principal Employer, the Plan's investment managers, auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee on 22 April 2024.

Signed on behalf of the Trustee by DocuSigned by:



330897F4666D467...

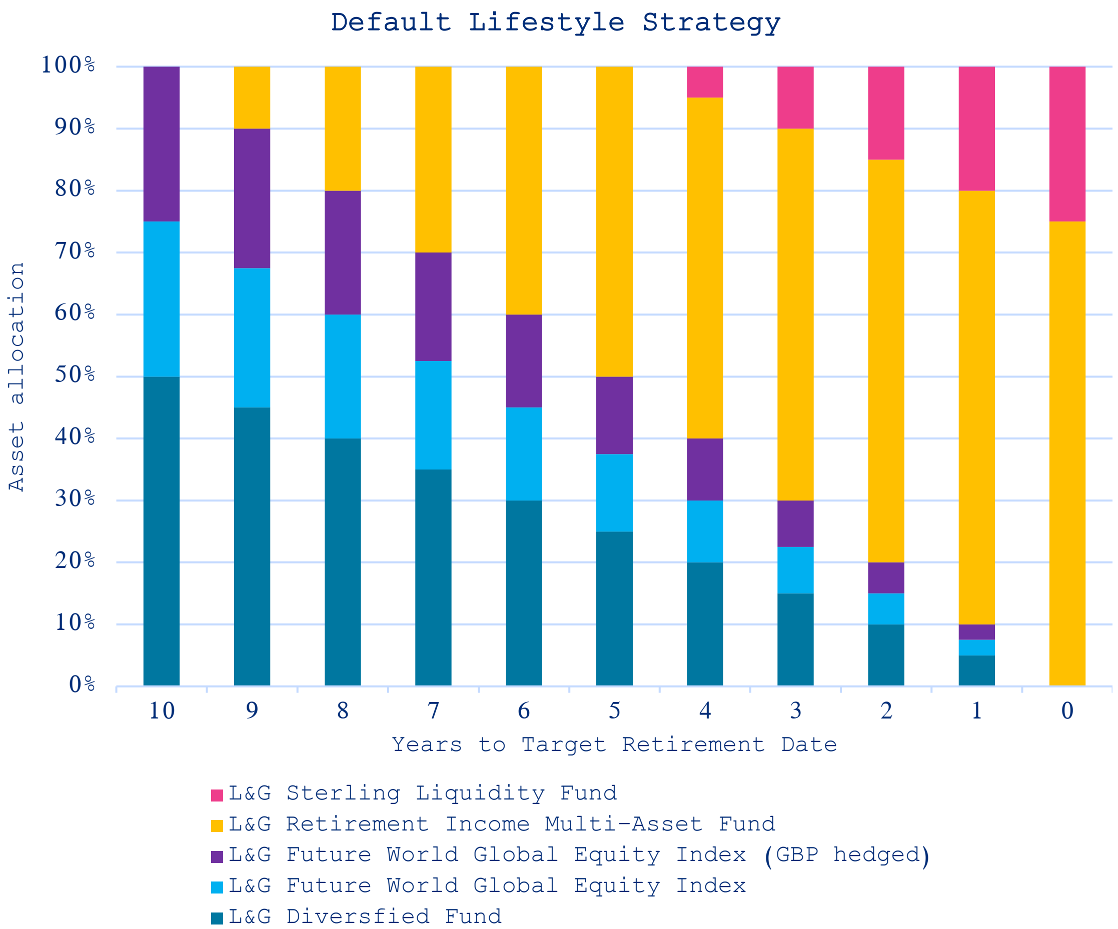
On 22 April 2024

Full Name Val Simpson

Position Chair of Trustees

APPENDIX 1: DEFAULT LIFESTYLE STRATEGY AND SELF-SELECT FUNDS

For members who are invested in the Default Lifestyle Strategy the following table sets out the switches between the funds that will be carried out on a member's behalf up to their retirement date:



Years to retirement	L&G Diversified Fund	L&G Future World Global Equity	L&G Future World Global Equity (GBP Hedged)	L&G Retirement Income Multi Asset Fund	L&G Sterling Liquidity Fund
0	-	-	-	75.0%	25.0%
1	5.0%	2.5%	2.5%	70.0%	20.0%
2	10.0%	5.0%	5.0%	65.0%	15.0%
3	15.0%	7.5%	7.5%	60.0%	10.0%
4	20.0%	10.0%	10.0%	55.0%	5.0%
5	25.0%	12.5%	12.5%	50.0%	-
6	30.0%	15.0%	15.0%	40.0%	-
7	35.0%	17.5%	17.5%	30.0%	-
8	40.0%	20.0%	20.0%	20.0%	-

9	45.0%	22.5%	22.5%	10.0%	-
10	50.0%	25.0%	25.0%	-	-

The Trustee will monitor the suitability of the funds used on an ongoing basis and make changes as we consider appropriate. The table below shows the details of the current mandates with each manager.

Default Lifestyle Strategy Funds

Fund	Asset Class	Annual Management Charge	Fund Benchmark / Objective
L&G Diversified Fund	Multi-Asset	0.33% p.a.	To provide long-term investment growth through exposure to a diversified range of asset classes.
L&G Future World Global Equity Index Fund	Equity	0.23% p.a.	To track the performance of the Solactive L&G ESG Global Markets Index to within +/-0.60% p.a. for two years out of three.
L&G Future World Global Equity Index Fund (GBP Hedged)	Equity	0.25% p.a.	To track the performance of the Solactive L&G ESG Global Markets Index – GBP hedged to within +/-0.60% p.a. for two years out of three.
L&G Retirement Income Multi Asset Fund	Multi-Asset	0.35% p.a.	To provide long-term investment growth up to retirement through exposure to a diversified range of asset classes.
L&G Sterling Liquidity Fund	Cash	0.125% p.a.	To provide capital stability, liquidity and diversification while providing a competitive level of return in line with the Sterling Overnight Index Average.

The funds set out above are also available for members to choose on a self-select basis. The table below sets out additional fund options available to members on a self-select basis.

Self-Select Funds

Fund option	Asset Class	Annual Management Charge	Fund Benchmark / Objective
L&G All World Equity Index Fund	Global Equity	0.20% p.a.	To track the performance of the FTSE All-World Index to within +/- 0.5% per annum for two years out of three.
L&G Ethical UK Equity Index Fund	UK Equity	0.21% p.a.	To track the performance of the FTSE4Good UK Equity Index to within +/-0.5% p.a. for two years out of three.
L&G World Emerging Markets Equity Index Fund	Emerging Market Equity	0.47% p.a.	To track the performance of the FTSE Emerging Index to within +/-1.5% p.a. for two years out of three.
L&G Managed Property Fund	Property	1.09% p.a.	To outperform the AREF/IPD UK Quarterly All Balanced Property Fund Index over three and five year periods
L&G AAA AA Fixed Interest Over 15 Year Targeted Duration Fund	Corporate Bonds	0.15% p.a.	To produce a total return in line with the performance of a subset of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index, this being the gilts with maturities of 15 to 35 years and capture the yield spread over gilts of AAA-AA rated fixed interest securities.
L&G Over 5 Year Index-Linked Gilts Index Fund	Index-Linked Government Bonds	0.10% p.a.	To track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index to within +/-0.25% p.a. for two years out of three
Cash Lifestyle Strategy	Multi-Asset, depending on term to retirement	0.14%-0.28% p.a. depending on term to retirement	Broadly reflects the same investment approach as the Default Lifestyle Strategy, except targeting a 100% cash position at retirement. See Appendix 3 for further details.

APPENDIX 2: RESPONSIBILITIES OF PARTIES

Trustee

The Trustee's responsibilities include the following:

- Reviewing at least triennially and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Selecting the Investment Managers
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Principal Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis
- Publishing this Statement on a publically available website and informing members of the location

Investment adviser

The Investment Adviser's responsibilities include the following:

- Participating with the Trustee in reviews of the Statement of Investment Principles
- Production of quarterly independent performance monitoring reports
- Advising of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Plan is invested, such that in its view there is a significant concern that any of these funds will not be able to meet its long term objectives.
- Updating the Trustee on changes in the investment environment, and advising the Trustee, at its request, on how such changes could present either opportunities or problems for the Plan
- Undertaking project work, as requested, including:
  - Reviews of the default strategy and fund range; and
  - Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians

Investment managers

The Investment Manager's responsibilities include the following:

- Informing the Trustee of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

APPENDIX 3: ADDITIONAL DEFAULT ARRANGEMENTS

The Trustee has created two additional default arrangements, as per the broader definition of a default in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("the Charges and Governance Regulations 2015"), effective from 6 April 2018.

a) **Legacy Default Lifestyle Strategy**. Members who were within three years of their target retirement age as at 31 October 2023 remained invested in the previous default lifestyle strategy, and were not moved to the current default lifestyle strategy set out in section 4.1.

b) **Cash Lifestyle Strategy**. The Trustee created a new default arrangement in December 2022 in relation to AVC investments that were transferred from Utmost Life and Pensions Ltd and Aviva Insurance Ltd. The Cash Lifestyle Strategy is also available for all DC and AVC members to self-select as an investment option.

Details of these arrangements are set out in this Appendix.

Trustee policies that are not explicitly mentioned in this Appendix are as outlined in the main SIP. In line with regulatory requirements, the Trustee will continue to review the following over time.

Aims, Objectives and Policies:

The aims, objectives and policies of each additional default arrangement are considered in more detail in following pages. The Trustee has focussed on what it considers to be 'financially material considerations'. The Trustee believes 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 when they expect to retire.

1. <u>Legacy Default Lifestyle Strategy</u>

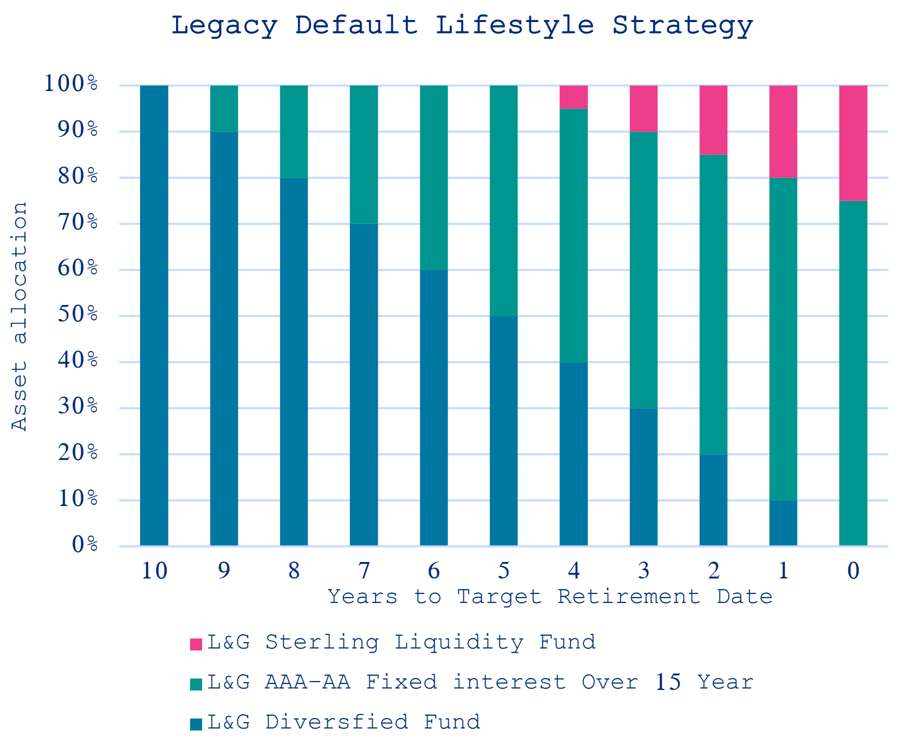
The Legacy Default Lifestyle Strategy can be separated into two distinct phases. In practice, given those members who remain invested were within three years of their target retirement date as at 31 October 2023, the 'growth' phase for members over ten years from retirement set out below is not applicable to any invested member.

Initially, the lifestyle option aims to generate long-term growth by investing in the **L&G Diversified Fund**; an actively-managed multi-asset fund which invests in a diverse array of asset classes including equities, corporate bonds, government bonds, and alternatives and aims to produce an equity-like return but with reduced volatility over a full market cycle.

10 years prior to a member reaching their target retirement age, the strategy enters a de-risking phase. This involves a gradual switch of assets out of the L&G Diversified Fund into the **L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund** and then the **L&G Sterling Liquidity Fund**. When a member reaches retirement they will have 75% and 25% of their savings invested in each of these funds respectively.

This lifestyle strategy will reduce risk as members approach retirement and should therefore protect against any sharp falls in value that might result from an equity market crash. The strategy is also designed to give members a broad level of protection against changes in annuity prices following a change in bond yields.

The Legacy Default Lifestyle Strategy can be illustrated with the following chart:



All Trustee policies relating to the Legacy Default Lifestyle Strategy are in line with those set out in the SIP.

2. Cash Lifestyle Strategy

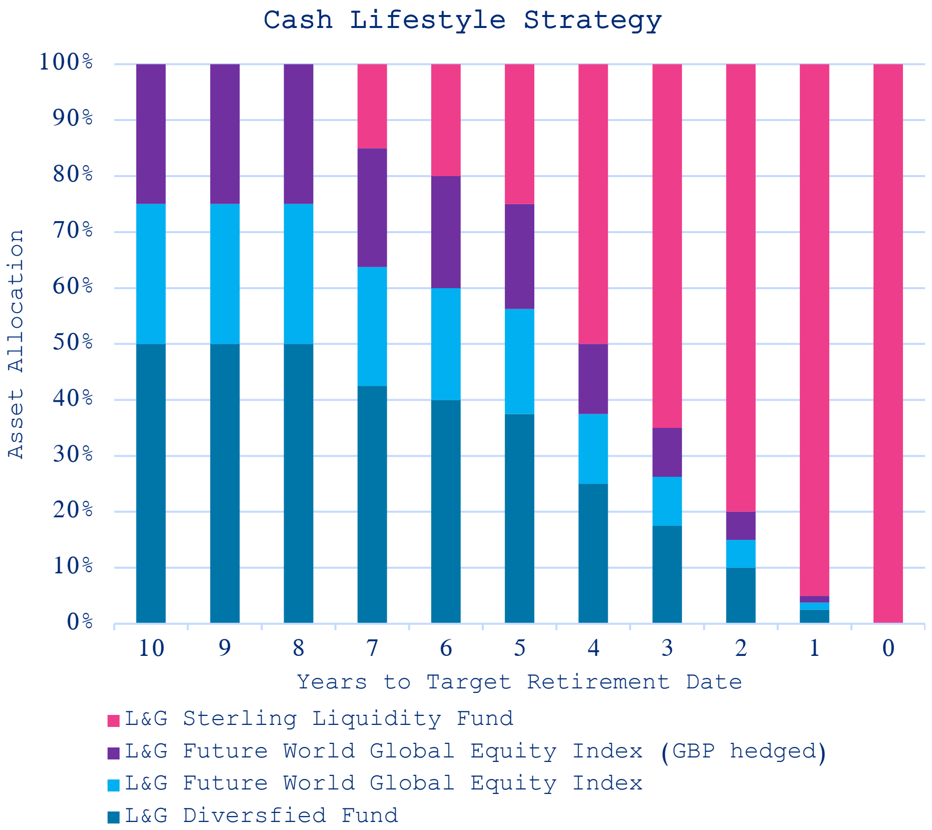
The Cash Lifestyle Strategy broadly reflects the Default Lifestyle Strategy set out in section 4, except it targets a 100% Cash position at retirement. The asset allocation at retirement is suitable for members who wish to access their entire DC savings within the Plan as a cash sum at retirement.

The Cash Lifestyle Strategy can be separated into two distinct phases. Initially, it aims to generate long-term growth by investing in the **L&G Diversified Fund, L&G Future World Global Equity Index Fund and the L&G Future World Global Equity Index (GBP Hedged) Fund**.

The **L&G Diversified Fund** is an actively-managed multi-asset fund which invests in a diverse range of asset classes including equities, corporate bonds, government bonds, and alternatives and aims to produce an equity-like return but with reduced volatility over a full market cycle. The **L&G Future World Global Equity Index Fund** offers broad exposure across developed and emerging equity markets while considering Environmental, Social and Governance ("ESG") factors within the investment approach. This helps mitigate exposure to risks in these areas. Having the currency hedged version of this fund alongside a non-currency hedged version helps mitigate the impact on investment returns of changes in exchange rates of foreign currencies relative to sterling.

Eight years prior to a member reaching their target retirement age, the strategy enters a de-risking phase. This involves a gradual switch of assets out of the three funds noted above into the **L&G Sterling Liquidity Fund**. When a member reaches retirement they will have 100% of their savings invested in this fund, which aims to provide capital preservation on this allocation of members' savings.

The Cash Lifestyle Strategy is illustrated on the following chart:



All Trustee policies relating to the Legacy Default Lifestyle Strategy are in line with those set out in the SIP.