

TRP UK Retirement Plan

Statement of Investment Principles

June 2023

Table of Contents

- Section 1 : Introduction 3**
- Section 2 : Division of responsibilities 4**
- Section 3 : Investment objectives and policy 7**
- Section 4 : Considerations in setting the investment arrangements 10**
- Section 5 : Risk management 12**
- Section 6 : Implementation of the investment arrangements 14**
- Section 7 : Monitoring and reviewing investments 16**
- Section 8 : Other matters 17**
- Appendix A: Lifestyle investment programmes 19**
- Appendix B: Growth and Fixed Income Blends 21**
- Appendix C : Self-select fund range 22**

Section 1: Introduction

Plan information

- 1.1 This document describes the investment policy pursued by the T. Rowe Price Retirement Plan Trustee Limited, Trustee of the TRP UK Retirement Plan (respectively, the "Trustee" and the "Plan").
- 1.2 The Plan operates for the exclusive purpose of providing Defined Contribution ("DC") retirement benefits and death benefits to eligible participants and beneficiaries.
- 1.3 The Plan is a registered pension scheme under the Finance Act 2004.
- 1.4 Scottish Widows operates the Plan on a 'bundled' basis providing administration, investment and communication services.
- 1.5 Scottish Widows is regulated under the Financial Services and Markets Act 2000 and authorised in the UK by the Financial Conduct Authority and the Prudential Regulation Authority.

Relevant legislation

- 1.6 The purpose of this Statement of Investment Principles ("SIP") is to document those investment principles, guidelines and procedures which are appropriate for the Plan, in a manner consistent with the requirements of Section 35 (as amended) of the Pensions Act 1995, as amended by the Pensions Act 2004 ("the 1995 Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended in 2018 and 2019) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.
- 1.7 The Trustee has received written advice from its investment adviser (Lane Clark & Peacock) (the "Investment Adviser"), whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification given the circumstances of the Plan and the principles contained in this SIP. When preparing this SIP, the Trustee has also consulted T. Rowe Price International Ltd (the "Principal Employer") and will consult the Principal Employer if revising this document in future as required by the 1995 Act. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
- 1.8 When choosing investments, the Trustee and the investment managers, to the extent delegated, are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the principles contained in this SIP.
- 1.9 In accordance with its duties under the Pensions Act 1995 and with the Financial Services and Markets Act 2000 ("FSMA"), the Trustee will set a general investment policy but will delegate the responsibility for selection of specific investments to appointed investment managers authorised under FSMA, which may include an insurance company or companies. The investment managers shall provide the skill and expertise necessary to manage the investments of the Plan competently. With proper written investment advice (as defined by Section 36 of Pensions Act 1995), the Trustee has chosen funds considering its high-level asset allocation and investment objectives. Investment choice within each fund is made by the managers subject to defined tolerances relative to their respective fund benchmarks.
- 1.10 New members are auto-enrolled into the Plan, so a default investment option is required if members do not specify a preferred investment choice themselves.

Section 2: Division of responsibilities

2.1 The Trustee has put in place the following division of responsibilities for the efficient operation and governance of the Plan's investment arrangements.

The Trustee

2.2 The Trustee's core responsibilities are:

- a developing a mutual understanding of investment and risk issues with the employer;
- b setting the investment strategy, in consultation with the employer;
- c formulating investment policies, including those relating to financially material and non-financially material considerations, such as Environmental, Social and Governance ("ESG") considerations (including but not limited to climate change), rebalancing and the exercise of rights and engagement activities in respect of the investments;
- d putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- e reviewing the content of this SIP and modifying it if deemed appropriate at least every three years or without delay after any significant change in investment policy or, in relation to the default arrangement, after any significant change in the demographic profile of relevant members or updates to relevant regulation;
- f consulting with the employer(s) when reviewing the SIP;
- g monitoring and considering the appropriateness of the investment strategy (including having regard to the need for diversification of investments so far as is appropriate);
- h monitoring investment choices made by members including fund choices, contribution rates, opt out rates and decisions made at retirement;
- i reviewing the bi-annual performance monitoring reports from the Investment Adviser;
- j monitoring, selecting and deselecting investment managers, investment advisers and other service providers;
- k monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the 1995 Act;
- l communicating with members as appropriate on investment matters such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- m reviewing the investment policy as part of any review of the investment strategy; and

- n reviewing the administration and investment charges applied to members of the Plan including adherence to the charging controls for the default investment option.

Investment Sub-Committee (ISC)

- 2.3 An ISC of the Trustee has been established to oversee the Trustee's core investment responsibilities in relation to the Plan (as set out above).
- 2.4 The ISC provides input and recommendations (where applicable) to the full Trustee Board. Overall decision-making power rests with the full Trustee Board.
- 2.5 The ISC's role and powers are documented in its Terms of Reference. This is reviewed periodically (at least every three years).

Investment Adviser

- 2.6 The Investment Adviser's core responsibilities are as follows:
 - a making recommendations to the Trustee on:
 - I. the SIP;
 - II. the DC default investment arrangements, any alternative investment strategies and the range of self-select investment funds, and how material changes to legislation or within the Plan's benefits and membership may impact this; and
 - III. the selection and deselection of investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations).
 - b supporting the Trustee in monitoring the Plan's investment arrangements including:
 - I. performance against key objectives; and
 - II. investment manager monitoring.
 - c supporting the Trustee and Scottish Widows in implementing the Plan's investment strategy.

Scottish Widows

- 2.7 Scottish Widows' responsibilities include:
 - a providing the Trustee with quarterly statements of the assets and fund factsheets;
 - b ensuring the underlying funds are priced correctly;

- c provision and maintenance of the fund investment platform and review of the continued structural suitability of the underlying funds;
- d being available for meetings or discussions with the Trustee and/or its appointed advisers;
- e administration of member records; and
- f member communication materials and on-line services.

Investment managers

2.8 The underlying investment managers' responsibilities include:

- a managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- b taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- c exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- d at their discretion, but within any guidelines agreed by the Trustee for each individual fund, implementing changes to the asset mix and selecting securities within each asset class;
- e informing the Trustee and/or the provider of any planned changes in the internal performance objectives and guidelines of any pooled fund used by the Plan before they occur;
- f having the need for diversification of investments so far as appropriate and to the suitability of investments;
- g giving effect to the principles contained in this SIP as far as reasonably practicable; and
- h having regard to the provisions of Section 36 of the 1995 Act insofar as it is necessary to do so.
- i The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

Section 3: Investment objectives and policy

Objectives

- 3.1 The Trustee's general investment objectives for the Plan (including in relation to decisions about investments for the purposes of the default arrangement) are as follows:
- a to offer suitable funds and lifestyle strategies reflecting the membership profile and variety of ways that members can draw their benefits in retirement and for members to have sufficient investment choice to satisfy their differing risk appetites and risk profiles;
 - b to offer an appropriate default investment option that the Trustee believes to be reasonable for those members who do not feel able to make decisions on how their fund should be invested;
 - c the objective of the default investment option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement;
 - d to offer a range of suitable funds for members to invest in whilst being able to mitigate the range of risks faced; and
 - e to monitor the fund choices to ensure they are consistent with the strategic objectives.
- 3.2 The Trustee is aware that members' investment needs change as they progress towards retirement age. Younger members have a greater need for real growth to attempt to ensure their investments keep pace with inflation and if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back in line from any temporary low. Older members will have differing investment needs depending on how they wish to withdraw their retirement savings.
- 3.3 The Trustee is aware that different members will have different personal circumstances and different attitudes to risk. The Trustee therefore believes that members should be given freedom over the investment policy of their own pension accounts subject to reasonable practical constraints.
- 3.4 The Trustee's intention is that all members should understand the investment choices they make so that their chosen strategies are appropriate to their own circumstances.

Policy

- 3.5 The Trustee's policy is to seek to achieve its investment objectives through offering a suitable mixture of asset classes and funds. Pooled funds are made available across the main asset classes, reflecting the changing requirements of members as they progress towards retirement.
- 3.6 The Trustee makes available three lifestyle investment programmes where members' investments are initially allocated to a 'Growth Blend' and are progressively switched into lower risk investments as retirement approaches. Each strategy is focussed towards a different retirement outcome – annuity purchase, lump sum withdrawal and drawdown, and reflect these target outcomes in their asset allocations at retirement.

- 3.7 As an alternative to the lifestyle strategies, members can elect to invest in a range of actively managed and passively managed funds covering the main asset classes.
- 3.8 Further details on the 'Growth Blend' and a full list of member investment options are contained in **Appendix B**.

Default investment option

- 3.9 Members of the Plan who do not make an explicit choice on how to invest their pension savings are automatically invested in the "TRP Drawdown Lifestyle Investment Programme" being the default investment option under the Plan. This is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).
- 3.10 The overall objective of the "TRP Drawdown Lifestyle Investment Programme" is to provide those members who do not actively make their own investment choice with an investment strategy that aims to:
- a optimise expected returns over the long term at an acceptable level of risk whilst a member is at least 15 years from retirement; and
 - b provide a gradual reduction in risk and expected return during the 15 years immediately leading up to a member drawing their Plan account. This includes an increasing allocation to cash in the period before the target retirement date to match the expectation that most members will elect to take their tax-free cash at the point of drawing their benefits.
- 3.11 The default investment option aims to generate a level of return that is expected to provide adequate retirement income for its target population. It also aims to manage a member's exposure to risk throughout their working life, ensuring that members are not unduly exposed to investment risk at any given point.
- 3.12 The default investment option targets drawdown at retirement, since the Trustee believes that this represents the lowest risk option for members.
- 3.13 In designing both the default investment option and the other investment options under the Plan to ensure that assets are invested in the best interests of members, the Trustee in conjunction with its Investment Advisers gave in-depth consideration to the Plan's demographic profile and the retirement outcome needs and risk tolerance of the membership. Due consideration was also given to charge cap compliance.
- 3.14 The Trustee's wider investment policy and considerations as disclosed throughout this document apply equally to the design and construction of the default investment option.
- 3.15 The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.
- 3.16 Further details in relation to the default investment option are contained in **Appendix A**.
- 3.17 As well as the TRP Drawdown Lifestyle Investment Programme, the Plan also makes use of the BlackRock Sterling Liquidity Fund as a temporary default arrangement. Following the suspension of the Scottish Widows UK Property Fund in March 2020, a decision was taken to redirect contributions into the BlackRock Sterling Liquidity Fund until such time as the Scottish Widows UK Property Fund could reopen. Prior to making this decision, the Trustee received advice from its investment adviser confirming this as the most appropriate option for members given the circumstances. As members'

contributions are to be directed into this fund without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements. The objective of the fund is 'to better the return of Sterling Overnight Index Average ("SONIA") before fees'. The Trustee's wider investment policy and considerations as disclosed throughout this document apply equally to this default.

Expected level of return

- 3.18 The Trustee's policy is to make available a wide variety of funds across all the major asset classes, including equities, fixed interest, cash and multi-asset strategies. They also seek to ensure that these funds are diversified, in terms of objectives, sectors, investment styles and management approach (including active and passive options).
- 3.19 The differing characteristics of the asset classes ensures members have a broad access to market returns which are structured to cater for the evolving risks members face (as outlined in Section 4).
- 3.20 **Appendix C** lists each of the individual fund options and their expected level of returns by reference to their specific benchmark and objective (this information is also made available to members through the Plan's investment guide).

Section 4: Considerations in setting the investment arrangements

- 4.1 When deciding how to invest the Plan's assets, the Trustee considers several risks, including, but not limited to, those set out in Section 5. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.
- 4.2 The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.
- 4.3 In determining the investment arrangements, it is the Trustee's policy to consider:
- the best interests of all members and beneficiaries;
 - the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
 - the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
 - the need for appropriate diversification within the default investment option and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
 - the need for appropriate diversification within the other investment options offered to members;
 - any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
 - the Trustee's investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.
- 4.4 The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:
- asset allocation is the primary driver of long-term returns;
 - risk-taking is necessary to achieve return, but not all risks are rewarded;
 - equity, credit, illiquidity, duration and volatility are the primary rewarded risks;
 - risks that do not have an expected reward should generally be avoided, hedged or diversified;
 - investment markets are not always efficient and there may be opportunities for good active managers to add value;
 - ESG factors may be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;

- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is often better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions;
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important; and
- voting and engagement are important and can create long term value which is in the best interest of Plan members and therefore the Trustee encourage managers to improve their voting and engagement practices.

4.5 The Trustee's key investment beliefs and understanding of the Plan's membership are reflected in the design of the default and other lifestyle options, and in the range of other funds made available to members.

Section 5: Risk management

- 5.1 The Trustee recognises a number of risks involved in the investment of assets of the Plan, including:
- a **Capital risk** – the risk that the value of the investment will fall in value over any period of time. The Trustee has made available a cash fund for the purpose of managing this risk.
 - b **Risk of inadequate returns** - as members’ benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members’ benefits close to retirement, the Trustee has made the default option a “lifestyle” strategy.
 - c **Interest and inflation risk** – the risk that the contributions fail to provide an adequate amount of benefit. The Plan’s assets are subject to interest rate and inflation risk because some of the Plan’s assets are held in bond funds. This risk could be realised by failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment. The Trustee has made available a range of actively and passively managed equity funds for the purpose of managing this risk.
 - d **Investment Manager risk** - This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.
 - e **Risk from lack of diversification** - This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan’s assets. The Trustee believe that the Plan’s DC default strategy are adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Plan’s investment arrangements and is monitored by the Trustee on a regular basis.
 - f **Pension conversion risk** – the risk that the value of a member's account does not reflect the change in the cost of purchasing an annuity at retirement. The Trustee has made available an index-linked gilt fund (for those members wanting an annuity that increases during retirement) and a number of fixed interest bond and gilt funds as well as an annuity targeting lifestyle strategy for the purpose of managing this risk.
 - g **Currency risk** – where members invest in funds with an exposure to overseas securities, there will be an element of currency risk as these securities are converted back into Sterling.
 - h **Climate-related risks** - Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and they monitor how this risk is being managed in practice. The Trustee encourages its managers to align their investments with net zero greenhouse gas emissions by 2050 (where practical) to help drive real world emissions

reduction and reduce systemic risks relating to climate change. The Trustee monitors and engage with its managers on their progress towards net zero alignment.

- i **Environmental, social and governance (ESG) risks** - ESG factors are sources of risk to the Plan's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable or harmful business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on its behalf and from time to time reviews how these risks are being managed in practice.
 - j **Contribution shortfall risk** – the risk that members do not contribute sufficiently to the Plan and are therefore left with an inadequate pension at retirement. This is a difficult risk for the Trustee to address as all members' circumstances will be different, but where possible and appropriate, encouragement will be given to contribute adequately to the Plan.
 - k **Political risk** - the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
 - l **Illiquidity/marketability risk** – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustee has had regard to this in selecting appropriate funds, such as pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment. Furthermore, this is also the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments.
 - m **Risk from excessive charges** - if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Plan are in line with market practice and assess regularly whether these represent good value for members.
 - n **Equity risk** - The Trustee believes that equity risk is a rewarded investment risk, over the long term. The Trustee considers exposure to equity risk in the context of the Plan's overall investment strategy and believe that the level of exposure to this risk is appropriate.
 - o **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 Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages members' exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.
- 5.2 The Trustee recognises that there are other non-investment risks faced by the Plan. They take these into consideration as far as practical in setting the investment arrangements.
- 5.3 The Trustee seeks to offer investment funds which allow members to mitigate the above risks, however acknowledge that it is not possible to mitigate all of the risks at the same time. Therefore, members are encouraged to consider the risks that are most relevant to them and to invest to mitigate these risks.
- 5.4 The Trustee continues to monitor these risks on a regular basis.

Section 6: Implementation of the investment arrangements

- 6.1 Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. Details of the investment managers are set out in **Appendix C**.
- 6.2 The Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Plan and the underlying investment managers of the DC investment funds.
- 6.3 The Trustee has signed agreements with the platform provider setting out in detail the terms on which the portfolios are to be managed. The investment managers used have agreements with the Trustee's platform provider. The investment managers' primary role is the day-to-day investment management of the Plan's investments.
- 6.4 The Trustee and investment managers to whom discretion has been delegated exercise their powers giving effect to the principles in this SIP, so far as is reasonably practicable.
- 6.5 The Trustee has limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but encourages its managers to improve their practices within the parameters of the fund they are managing.
- 6.6 The Trustee's view is that 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 stated objectives, guidelines and restrictions of the fund. However, in practice, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.
- 6.7 It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). The Trustee assesses this when selecting and monitoring managers.
- 6.8 The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.
- 6.9 The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

- 6.10 The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers, the Trustee does not explicitly monitor portfolio turnover. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.
- 6.11 The Trustee recognises its responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.
- 6.12 The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.
- 6.13 The Trustee monitors managers' activities in relation to ESG factors, voting and engagement on an annual basis. The Trustee seeks to understand how managers are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with the Trustee's expectations and report on this alignment in its Implementation Statement each year.
- 6.14 The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers and also confirms its more general expectations in relation to ESG factors, voting and engagement.
- 6.15 If the Trustee's monitoring identifies areas of concern, it will engage with the relevant manager to encourage improvements.

Section 7: Monitoring and reviewing investments

- 7.1 The Trustee will monitor investment performance and review the nature of the Plan's investments periodically. In carrying this out, the Trustee will consider all relevant factors in determining whether this SIP and the associated risks remain appropriate.
- 7.2 The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

Monitoring investment performance

- 7.3 Whilst the Trustee is not involved in each investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review appointments.
- 7.4 The Trustee has a framework in place for monitoring investment performance including key metrics and the process undertaken if a fund is underperforming. This is outlined in the 'Performance Review Process' document, which is maintained by the ISC.
- 7.5 It is the Trustee's policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

Reviewing the investment options under the Plan

- 7.6 The Pensions Regulator expects trustees to regularly review their investment fund ranges and consider the demographics of the membership when doing so.
- 7.7 The Trustee formally reviewed the strategy and performance of the default investment options in September and December 2020 and whilst the objective of the lifestyle and other default arrangement remain appropriate some changes to underlying funds and allocations used in the default lifestyle funds were agreed to be implemented throughout 2021. In 2022, the allocation within the TRP Growth Blend (a fund used in the early stages of the lifestyle strategies) was reviewed and changes were implemented in 2022 and 2023. The next formal review of the default investment option will commence in 2023.
- 7.8 The Trustee periodically reviews the wider fund range and makes changes where appropriate.

Investment manager monitoring

- 7.9 The continuing suitability of the Plan's investment managers will be reviewed by the Trustee at least bi-annually. The Trustee's policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The managers are also monitored on their compliance with the requirements of the 1995 Act concerning diversification and suitability of investments, where relevant. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

Section 8: Other matters

Fee basis

- 8.1 Members bear the management charges on the funds in which they invest which cover the provision of administration and investment services. These fees are charged by an adjustment to the unit prices within the funds, calculated daily on the value that day.
- 8.2 The Trustee has agreed Terms of Business with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis. The investment adviser's fees are paid for by the employer.
- 8.3 The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Plan. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

Financially material considerations and non-financial matters

- 8.4 The Trustee have considered how ESG factors (including but not limited to climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.
- 8.5 The Trustee expects their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.
 - a In relation to pooled funds designed to track an index (passive funds) – the choice of index dictates the assets held by the manager. The Trustee accepts that the role of the passive manager is to deliver returns in line with the index, however, the Trustee also recognises the importance of Stewardship and the role passive managers have in engaging with the underlying companies they hold and expects that their passive manager is able to demonstrate strong credentials in this regard.
 - b In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustee expects the managers to consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions.
- 8.6 The Trustee encourages their managers to improve their ESG practices, although acknowledge that it has limited influence over managers' investment practices where assets are held in pooled funds, and to maintain good stewardship practices.
- 8.7 The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments in the default strategy.

Liquidity and realisation of investments

- 8.8 The investment managers have discretion over the timing of realisation of underlying investments within the funds that they manage, and the liquidity of the underlying assets is considered when the Trustee decides which funds to offer to members.
- 8.9 Members' accounts are held in funds which offer frequent dealing to enable benefits to be realised on retirement, or earlier on transfer to another pension arrangement or change their investments.

Working with the Plan's employer

- 8.10 When reviewing matters regarding the Plan's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the Principal Employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the Principal Employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and Principal Employer work together collaboratively.

Compliance and review of this SIP

- 8.11 The Trustee will monitor compliance with this SIP annually.
- 8.12 The Trustee will review this SIP in response to any material changes to any aspects of the Plan, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.
- 8.13 This review will occur no less frequently than every three years or at the time of any changes to the fund range or, in relation to the default strategy, member demographics. Any such review will be based on written expert investment advice and the Principal Employer will be consulted.

Appendix A: Lifestyle investment programmes

The Trustee makes available a range of passively and actively managed self-select funds and lifestyle strategies. The main default investment option, the TRP Drawdown Lifestyle Investment Programme, is a lifestyle strategy. In addition, the BlackRock Sterling Liquidity Fund is also a temporary default for legislative purposes. Details of the options are set out below. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The TRP Drawdown Lifestyle Investment Programme targets income drawdown at retirement as being the most appropriate retirement benefit option for the majority of the membership.

The TRP Annuity Lifestyle Investment Programme targets annuity purchase at retirement. Following the default arrangement review in 2017, some members closest to retirement were not automatically switched to the TRP Drawdown Lifestyle Investment Programme in Q1 2018, instead they were retained in the TRP Annuity Lifestyle Investment Programme. As members did not make a choice to invest in this strategy, this is considered to be a default by the Trustee for the purpose of fulfilling legislative requirements.

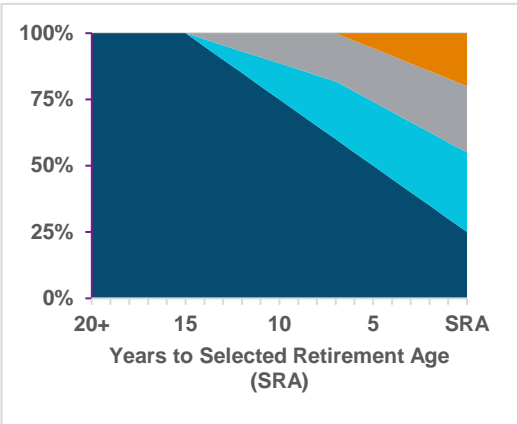
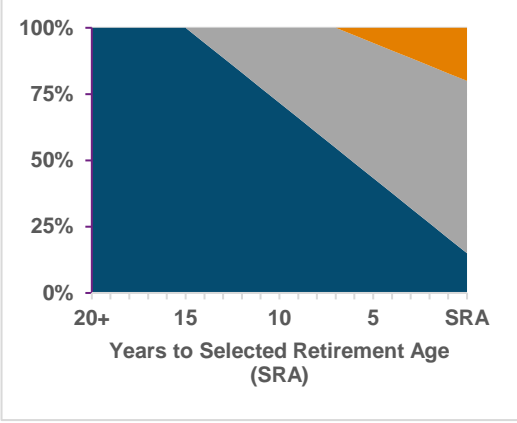
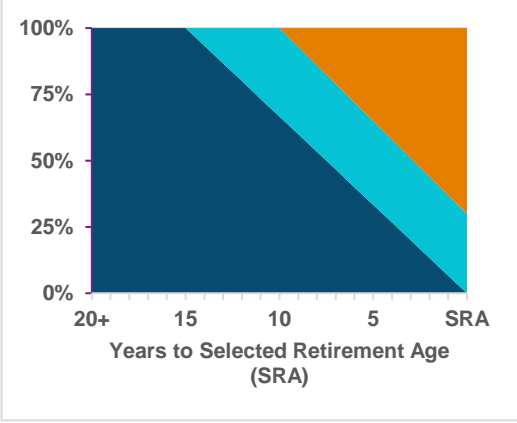
The Trustee also makes available one further lifestyle as a self-select option, targeting members expecting to take a Lump Sum at retirement.

The ongoing suitability of the default arrangements and the alternative lifestyle was reviewed in the final quarter of 2020. As a result of the review of these three lifestyles in the final quarter of 2020, it was decided to implement some changes to two of the underlying funds used in all three lifestyles: the TRP Growth Blend and the TRP Fixed Income Blend. The changes were agreed to be implemented in two phases throughout the calendar year 2021. In 2022, the allocation with the TRP Growth Blend was reviewed and changes were implemented in 2022 and 2023.

The fund options are provided to members via a bundled platform arrangement with Scottish Widows. The funds are open ended priced daily.

TRP Growth Blend
L&G Diversified

TRP Fixed income Blend
BlackRock Sterling Liquidity

| Name | Objective | Chart |
|----------------------------------|--|---|
| <p>Drawdown (default)</p> | <p>The TRP Drawdown Lifestyle Investment Programme aims to generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return. In the 15 years prior to retirement, the strategy aims to reduce the volatility of the member’s expected pension fund by gradually increasing asset diversification and reducing the overall risk profile. This option is predominantly designed for members looking to use their retirement account to draw their tax-free cash entitlement whilst at the same time maintaining investment growth to facilitate a transition to a drawdown arrangement, which allows members to take income as and when required.</p> |  <p>The chart for the Drawdown (default) option shows a 100% allocation to TRP Growth Blend (dark blue) at 20+ years to SRA. As the years to SRA decrease, the allocation to TRP Growth Blend and L&G Diversified (light blue) decreases, while the allocation to TRP Fixed income Blend (grey) and BlackRock Sterling Liquidity (orange) increases. At SRA, the allocation is approximately 25% TRP Growth Blend, 30% L&G Diversified, 35% TRP Fixed income Blend, and 10% BlackRock Sterling Liquidity.</p> |
| <p>Annuity</p> | <p>The TRP Annuity Lifestyle Investment Programme aims to generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return. In the 15 years prior to retirement, the strategy aims to gradually reduce the volatility of the annuity income level that can be secured by members through investing in assets (predominately in bonds and gilts) that are expected to rise and fall in value broadly in line with changes in annuity prices. This option is predominantly designed for members looking to use their retirement account to draw their tax-free cash entitlement and use the remaining balance to purchase an annuity (a pension income that provides a guaranteed level of income).</p> |  <p>The chart for the Annuity option shows a 100% allocation to TRP Growth Blend (dark blue) at 20+ years to SRA. As the years to SRA decrease, the allocation to TRP Growth Blend decreases, while the allocation to TRP Fixed income Blend (grey) and BlackRock Sterling Liquidity (orange) increases. At SRA, the allocation is approximately 15% TRP Growth Blend, 65% TRP Fixed income Blend, and 20% BlackRock Sterling Liquidity.</p> |
| <p>Lump Sum</p> | <p>The TRP Lump Sum Lifestyle Investment Programme aims to generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return. In the 15 years prior to retirement, the lifestyle aims to gradually reduce the absolute volatility of fund values by increasing investment in cash, whilst still maintaining some level of diversification. This option is predominantly designed for members looking to take their retirement account as a single cash lump sum(s), including the tax-free element.</p> |  <p>The chart for the Lump Sum option shows a 100% allocation to TRP Growth Blend (dark blue) at 20+ years to SRA. As the years to SRA decrease, the allocation to TRP Growth Blend and L&G Diversified (light blue) decreases, while the allocation to BlackRock Sterling Liquidity (orange) increases. At SRA, the allocation is approximately 30% TRP Growth Blend, 40% L&G Diversified, and 30% BlackRock Sterling Liquidity.</p> |

Appendix B: Growth and Fixed Income Blends

The TRP Growth and Fixed Income Blends are made up of a variety of underlying funds, selected by the Trustee to offer an appropriate blend of risk and return. They form a key component of the lifestyle options and also feature in the self-select range. The funds and asset allocations outlined in the tables below are those agreed by the Trustee in June 2022 and implemented in two tranches in September 2022 and January 2023.

The TRP Growth Blend:

| TRP Growth Blend | Asset Allocation |
|--|-------------------------|
| BlackRock ACS UK Equity Index Fund | 10% |
| BlackRock ACS World ex UK Equity Index Fund | 46% |
| BlackRock ACS Climate Transition World Equity Fund | 10% |
| Baillie Gifford International Fund | 15% |
| TRP Emerging Market Equity Fund | 9% |
| BlackRock iShares Corporate Bond All Stocks Index Fund | 10% |
| Total | 100% |

The Fixed Income Blend:

| TRP Fixed Income Blend | Asset Allocation |
|--|-------------------------|
| BlackRock iShares Over 15 Years UK Gilt Index Fund | 30% |
| BlackRock iShares Corporate Bond All Stocks Index Fund | 70% |
| Total | 100% |

Appendix C: Self-select fund range

| Asset class | Active / Passive | Fund | Objective | Benchmark* |
|--------------------------|------------------|--|---|--|
| Global equities | Active | Baillie Gifford International Fund | To produce attractive returns, mainly through capital growth, over the long term. To invest mainly in shares of companies worldwide excluding the UK. | MSCI ACWI ex UK NR |
| | | T. Rowe Price Global Focused Growth Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a portfolio of stocks that have the potential for above average and sustainable rates of earnings growth. The companies may be anywhere in the world, including emerging markets. | MSCI ACWI NR |
| | | T. Rowe Price Global Growth Equity Fund | | |
| | | Ardevora Global Long-only Equity Fund | To achieve long-term capital appreciation. | MSCI ACWI NR |
| | Passive | BlackRock ACS World ex UK Equity Index Fund | To provide a return on investment by tracking closely the performance of the FTSE Custom Developed ex UK ESG Screened Index. | FTSE Custom Developed Ex UK ESG Screened Index |
| | | BlackRock ACS Climate Transition World Equity Fund | To provide exposure to companies within the MSCI World Index that are well-positioned to maximise the opportunities and minimise the potential risks associated with a transition to a low carbon economy, relative to other companies within that index. | MSCI World |
| | | HSBC Islamic Global Equity Index Fund | To offer investors the opportunity to grow their money in line with the performance of the Dow Jones Islamic Titans 100 Index. The fund invests in company shares from around the world and is compliant with Islamic Shariah principles. | Dow Jones Islamic Market Titans 100 |
| Emerging market equities | Active | T. Rowe Price Frontier Markets Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of frontier markets companies. | MSCI Frontier Markets 10/40 NR ¹ |
| | | T. Rowe Price Emerging Markets Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of emerging market companies. | MSCI Emerging Markets NR |
| | Passive | BlackRock iShares Emerging Markets Equity Index Fund | To achieve a return consistent with the FTSE Emerging Index. | FTSE Emerging Index |

| | | | | |
|--------------------------|---------|--|--|---|
| UK equities | Active | Artemis UK Special Situations Fund | To provide long-term capital growth by exploiting special situations. The fund invests principally in UK equities and in companies which are headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK. The manager's investment policy may mean that at times it may be appropriate for the fund not to be fully invested but to hold cash or near cash. | FTSE All-Share Index TR |
| | | Columbia Threadneedle UK Smaller Companies Fund | To increase the value of investment over the long term and outperform the benchmark over rolling 3-year periods, after deduction of charges. The investment policy is to invest primarily in equities of smaller companies in the UK. | Numis Smaller Companies Ex Investment Companies |
| | Passive | BlackRock ACS UK Equity Index Fund | To provide a return on investment by tracking closely the performance of the FTSE All-Share Custom ESG Screened Index. | FTSE All-Share Custom ESG Screened Index |
| Regional equities | Active | T. Rowe Price European Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of European companies | MSCI Europe Index NR |
| | | T. Rowe Price European Smaller Companies Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of smaller publicly traded European companies. | MSCI Europe Small Cap NR |
| | | T. Rowe Price US Large Cap Value Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks from large capitalization companies in the United States that are selling at discounted valuations relative to their historical average and/or the average of their industries. | Russell 1000 Value Net 30% Index |
| | | T. Rowe Price US Smaller Companies Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a widely diversified portfolio of stocks from smaller capitalization companies in the United States. | Russell 2500 Net 15% Withholding Index |
| | | Stewart Investors Asia Pacific Leaders Sustainability Fund | To achieve long-term capital growth and invest in the shares of large and medium sized companies based in or where the majority of their activities take place in the Asia Pacific region (excluding Japan). | MSCI All Country Asia Pacific Ex Japan NR |
| | | T. Rowe Price Asian Ex-Japan Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of companies in Asia (excluding Japan). | MSCI All Country Asia Ex Japan NR |

| | | | | |
|---------------------|---------|--|---|---|
| | Passive | BlackRock ACS Continental European Equity Index Fund | To provide a return on investment by tracking closely the performance of the FTSE Custom Developed Europe ex UK ESG Screened Index. | FTSE Custom Developed Europe ex UK ESG Screened Index |
| | | BlackRock ACS US Equity Index Fund | To provide a return on investment by tracking closely the performance of the FTSE Custom USA ESG Screened Index. | FTSE Custom USA ESG Screened Index |
| | | BlackRock Pacific Rim Equity Index Fund | To achieve a return that is consistent with the return of the FTSE All-World Developed Asia Pacific ex-Japan Index by investing in the shares of Pacific Rim companies. | FTSE All World Developed Asia Pacific Ex Japan Index Net of Tax |
| | | BlackRock Japan Equity ACS Index Fund | To provide a return on investment by tracking closely the performance of the FTSE Custom Japan ESG Screened Index. | FTSE Custom Japan ESG Screened Index |
| | | Legal & General Diversified Fund | To provide long-term investment growth through exposure to a diversified range of asset classes. | FTSE Developed World Index – 50% GBP hedged |
| | | T. Rowe Price Growth Blend | To provide capital and dividend growth from primarily investing in a diversified portfolio of equity-based investments and an allocation to fixed income at a tolerable risk level through the use of a series of underlying funds. The performance and volatility of the Growth Fund at the overall fund level should be consistent with the benchmarks of the underlying funds that make up the Growth Fund. The underlying asset allocation is as follows: Baillie Gifford International – 15%, BlackRock ACS UK Equity Index – 10%, BlackRock ACS World Ex-UK Equity Index – 46%, BlackRock Corporate Bond All Stocks Index – 10%, T. Rowe Price Emerging Market Equity – 9%, BlackRock ACS Climate Transition World Equity Fund – 10%. | Composite |
| Alternatives | Active | T. Rowe Price Global Natural Resources Equity Fund | To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a widely diversified portfolio of stocks of natural resources or commodities-related companies. The companies may be anywhere in the world, including emerging markets. | MSCI World Select Natural Resources Index |
| Bond | Active | T. Rowe Price Global High Yield Bond Fund | To maximise the value of its shares through both growth in the value of, and income from, its investments. The fund invests mainly in a diversified portfolio of high yield corporate bonds from issuers around the world, including emerging markets | JP Morgan Global High Yield Index |
| | | T. Rowe Price Global Aggregate Bond Fund | To maximise the value of its shares through both growth in the value of, and income from, its investments. The fund invests mainly in a diversified portfolio of bonds of all types from issuers around the world. | Bloomberg Global Aggregate Bond Index |

| | | | | |
|--|---------|--|---|---|
| | | T. Rowe Price Fixed Income Blend | To achieve a return comprising of interest income and capital appreciation with low volatility. It aims to achieve a return consistent with its underlying benchmarks. The underlying funds are as follows: BlackRock iShares Over 15 Years UK Gilt Index CS1 – 30%, BlackRock iShares Corporate Bond All Stocks Index CS1 – 70%. | Composite |
| | | M&G Total Return Credit Fund | To maximise total return, consistent with prudent investment management. The fund will aim to provide investors with attractive returns from capital and income typically from a diversified pool of debt and debt-like assets. The fund seeks a target return of SONIA +3 to 5% gross of fees per annum over an investment cycle. | SONIA |
| | Passive | BlackRock iShares Corporate Bond All Stocks Index Fund | To achieve a return consistent with the iBoxx £ Non-Gilts Index, this fund invests in investment grade corporate bonds denominated in sterling. This index covers the broad spectrum of investment grade corporate bonds in issue. | Markit iBoxx Non-Gilts TR |
| | | BlackRock iShares Index-Linked Over 5 Year Gilt Index Fund | To achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market, this fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. | FTSE UK Gilts Index Linked Over 5 Yr TR |
| | | BlackRock iShares Over 15 Years UK Gilt Index Fund | To achieve a return consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK gilt market, this fund invests in UK government fixed-income securities (gilts) that have a maturity period of 15 years or longer. | FTSE UK Gilts Over 15 Yr TR |
| | Cash | Active | BlackRock Sterling Liquidity Fund | To achieve an investment that is in line with wholesale money market short-term interest rates. Specifically, the fund will aim to better the return of the Bank of England Sterling Overnight Index Average before fees. |

*The benchmarks shown in the table above are those defined by the investment managers and may differ from those used by Scottish Widows.