PRINCES PENSION SCHEME ("THE SCHEME") – ADDITIONAL VOLUNTARY CONTRIBUTIONS AND SHIPPAM DEFINED CONTRIBUTION SECTION

ANNUAL CHAIR'S STATEMENT FOR THE SCHEME YEAR ENDING 31 MARCH 2025

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'), the Trustees of the Princes Pension Scheme (the "Scheme") are required to prepare a statement on Defined Contribution (DC) governance in the annual report.

The Trustees are pleased to present the Trustees' annual statement on DC governance for inclusion in the Report and Accounts for the Scheme, covering the period 1 April 2024 to 31 March 2025. This statement describes how the Trustees ensures that the Scheme is well managed and delivers efficient services to members in relation to its DC benefits. In doing so, we provide the various statutory disclosures required by legislation. This statement covers the following key areas:

1. *The investment strategy relating to the Scheme's default investment arrangement;*
2. *The processing of core financial transactions;*
3. *Net investment returns;*
4. *Charges and transaction costs within the Scheme, including an illustration of its cumulative impact, and the Trustee's assessment of value for members; and*
5. *The Trustees' compliance with the statutory knowledge and understanding (TKU) requirements.*

In doing so, we provide the various statutory disclosures required by the Regulations.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local regulated financial advisers can be obtained on-line at http://www.fca.org.uk/consumers/finding-adviser.

This Statement will be published on a publicly available website (https://www.princesgroup.com/princes-pension-scheme/).

1. Default Investment Arrangement

1.1 A copy of the Scheme's latest Statement of Investment Principles (SIP) updated and signed in June 2024, to incorporate the Trustees' policy relating to illiquid assets, prepared in accordance with regulation 2A (32) (default investment strategy) of the Occupational Pension Schemes (Investment) Regulations 2005 is attached to this statement.

1.2 The SIP covers the following key matters in relation to the Scheme's investments, including:

(a) the Trustees' aims and objectives in relation to the investments held.

(b) the Trustees' policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (if at all) to which social, environmental or ethical considerations are taken into account when selecting, retaining or realising investments.

(c) an explanation of how these aims, objectives and policies are intended to ensure that assets are invested in the best interests of members.

1.3 No DC contributions have been made into the Scheme since 6 April 2015, and the Scheme closed to accrual on 31 March 2019. As such, all members are treated as paid-up from that date and there is no legislative requirement for the Scheme to have a default investment option for future contributions. The Scheme is not being used as a qualifying scheme for automatic enrolment purposes.

1.4 The default arrangement, which is taken to be the Scheme's lifestyle strategy due to historic contributions, and the performance of the default arrangement was not subject to a formal strategy review during this Scheme Year. The last strategy review was completed in December 2012. The Trustees understand that an investment strategy review should be completed on a triennial basis, however, as part of its wider pensions journey planning, the Trustees are considering the future of the Scheme. As such, the Trustees are not intending to review the investment strategy in the near term. The Trustees may revisit this decision should there be any significant changes in the Scheme's investment policy or demographic profile of the members.

1.5 The Trustees consider the performance of all funds on a quarterly basis against each fund's respective aims, objectives and policies. The performance reviews that the Trustees undertook during the year concluded that the Scheme's investments are performing broadly as expected and are consistent with the aims and objectives of the default as stated in the SIP.

1.6 Within the default arrangement, a member is invested in the LGIM Multi Asset Fund during the growth phase of the strategy and at 9 years to retirement, investments are switched periodically to the LGIM Over 15 Year Gilt Index Fund (until there is a 75% allocation at retirement) and the LGIM Cash Fund (until there is a 25% allocation at retirement).

1.7 During the growth phase, the lifestyle arrangement invests in funds that are designed to maximise real returns over the long term, whilst intending to offer some downside protection, as well as protection against inflation erosion. The switching phase begins at 9 years to retirement, with the intention to provide some protection from inflation and changes in annuity prices. The Trustees believe that the structure of the lifestyle arrangement is suitable for members who wish to purchase an annuity at retirement and take 25% of their pot as cash.

1.8 The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 ("the 2023 Regulations") introduced new requirements for trustees and managers of certain occupational pension schemes. For the first Scheme year that ends after 1 October 2023, trustees are required to disclose their full asset allocations of investments from their default arrangement:

Asset Class	Percentage allocation – average 25 years (%)	Percentage allocation – average 45 years (%)	Percentage allocation – average 55 years (%)	Percentage allocation – average 65 years (%)
Cash	0.5%	0.5%	0.5%	25.0%
Bonds	31.4%	31.4%	31.4%	75.0%
Listed Equity	39.4%	39.4%	39.4%	0.0%
Private Equity	1.9%	1.9%	1.9%	0.0%
Infrastructure	5.1%	5.1%	5.1%	0.0%
Property	6.0%	6.0%	6.0%	0.0%
Private Debt	0.0%	0.0%	0.0%	0.0%
Other	15.7%	15.7%	15.7%	0.0%

Source: LGIM as of 31 March 2025. Figures may not add up to100% due to rounding.

Normal Retirement Age is age 65, members have the opportunity to select their own retirement date.

The following describes the types of investments covered by the above asset classes:

- **Cash**: Cash and assets that behave similarly to cash e.g. treasury bills and repurchase agreements.

- **Bonds**: Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.

- **Listed Equity**: Shares in companies that are listed on global stock exchanges.

- **Private Equity**: Unlisted equities that are not publicly traded on stock exchanges.

- **Infrastructure**: Physical structures, facilities, systems, or networks that provide or support public services including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals, and prisons.

- **Property**: Real estate, potentially including offices, retail buildings which are rented out to businesses.

- **Private Debt:** Other forms of loan that do not fall within the definition of a 'Bond'.

- **Other**: Any assets that do not fall within the above categories. This includes Alternatives, Commodities, Absolute Return Funds and Volatilities.

1.9 The Scheme has Additional Voluntary Contribution (AVC) policies with Aviva, Clerical Medical and Utmost Life and Pensions (Utmost) in a mixture of unit linked and with-profits funds. The Scheme's AVC policies were most recently reviewed during the Scheme year, in August 2024. As a result of the review, the Trustees are considering further action around communicating to the AVC members about the nature of the AVC investments. Further information on the AVC policies, including member charges, is provided below.

2. Core Financial Transactions

2.1 The Trustees operate an outsourced operational model, with the Scheme's administration and management of its Scheme bank account delegated to Aptia Limited (Aptia). The Trustees have agreed timescales with Aptia for the processing of all member-related services, including core financial functions relating to contribution handling, quoting benefits and paying benefits. These timescales are well within any applicable statutory timescale and are summarised below.

2.2 The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Having Service Level Agreements (SLAs) in place with Aptia which cover all core administration processes. These SLAs are monitored on a regular basis, with a quarterly Trustees' Administration report.

- Ensuring that detailed disaster recovery plans are in place with Aptia, other relevant third parties and within the sponsoring Employer.

- Maintaining and monitoring a risk register which includes risks and controls in relation to core financial transactions.

- Appointing a professional firm to undertake an annual audit to confirm that contributions and benefit payments have been made in a timely manner and in line with the required timescales.

2.3 As required by the Administration Regulations, the Trustees must ensure that "core financial transactions" are processed promptly and accurately. Core financial transactions are (broadly):

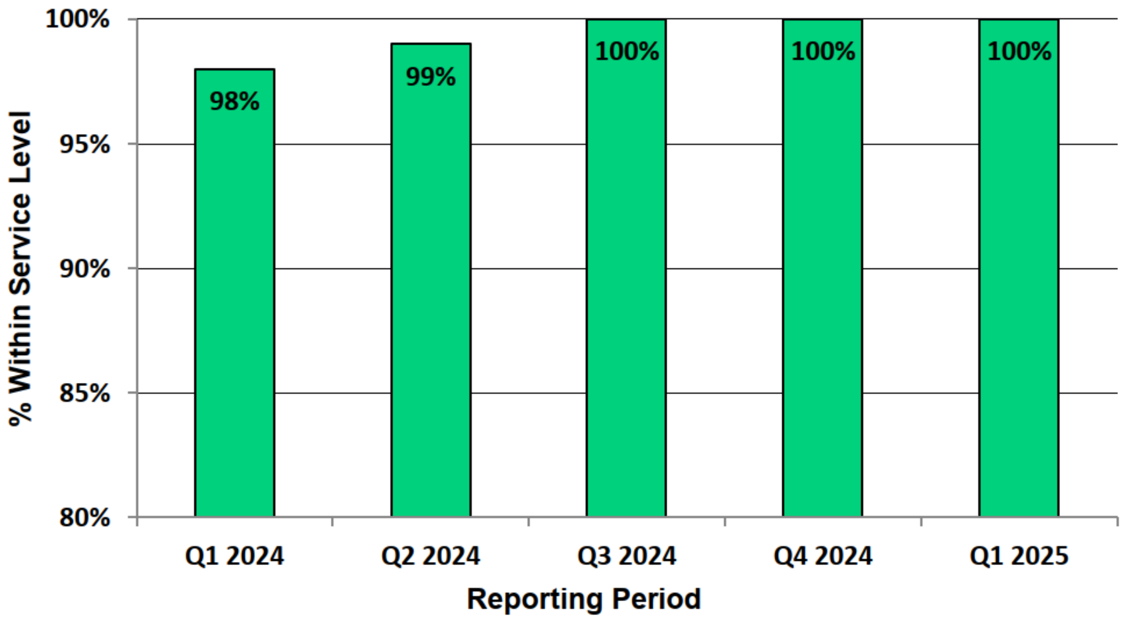
- Investment of contributions made to the Scheme by members and their employer(s)
- Transfers into and out of the Scheme of assets relating to members
- Switches of members' investments between different funds within the Scheme, and
- Payments from the Scheme to or in respect of members (e.g. payment of death benefits).

2.4 The tables below detail the service levels for key processes and Aptia's level of performance against them. The SLAs presented in this section relates to both the DB and DC sections of the Scheme. It is not specific to the DC Section.

Task	Service Level
CRC contact	1 day
Data Change	15 days
Death Quotation	5 days
Death Settle	2 days
Divorce	15 days
DWP	28 days
Enquiry / Query	10 days
Pensioner Change	10 days
Retirement Quotation	10 days
Retirement Settle	15 days
Transfer Out - Quotation	20 days
Transfer Out - Settlement	20 days

Task	Q2 2024		Q3 2024		Q4 2024		Q1 2025		Total		
	Completed in	Outside SLA	Completed in	Outside SLA	Completed in	Outside SLA	Completed in	Outside SLA	Completed in	Outside SLA	%
CRC contact	67	0	63	0	76	0	91	0	297	0	100%
Data Change	21	0	20	0	21	0	23	0	85	0	100%
Death Quotation	2	0	4	0	2	0	1	0	9	0	100%
Death Settle	0	0	4	0	4	0	1	0	9	0	100%
Divorce	0	0	0	0	0	0	2	0	2	0	100%
DWP	10	0	27	0	6	0	7	0	50	0	100%
Enquiry / Query	62	0	82	0	95	0	85	0	324	0	100%
Pensioner Change	11	0	9	0	12	0	41	0	73	0	100%
Retirement Quotation	37	0	26	0	25	0	26	0	114	0	100%
Retirement Settle	12	1	21	0	7	0	5	0	45	1	98%
Transfer Out – Quotation	14	1	10	0	8	0	15	0	47	1	98%
Transfer Out - Settlement	0	0	2	0	2	0	0	0	4	0	100%
Total	236	2	268	0	258	0	297	0	1059	2	**100%**

The chart below shows Aptia's historic service levels.



2.5 The Trustees are satisfied that over the period covered by this Statement:

- Aptia was operating appropriate procedures, checks and controls and operating within the agreed SLAs
- There were no material administration errors in relation to processing core financial transactions, and
- All core financial transactions have been processed promptly and accurately during the Scheme year. As previously noted, the SLAs relates to both the DB and DC sections of the Scheme.

3. Charges and Transaction Costs

3.1 As required by the Administration Regulations, the Trustees are required to report on the charges and transaction costs for the investment funds used in the default arrangements and their assessment on the extent to which the charges and costs represent good value for members. The Trustees have followed statutory guidance when preparing this section of the Statement.

3.2 The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous five years' transaction costs or, where data is available for fewer than five years, an average of transactions costs over the years for which data is available.

3.3 Depending on whether prices are rising or falling, and whether a fund is buying or selling, implicit transaction costs calculated using the slippage methodology can be positive or negative (negative costs benefit members).

3.4 The total charges payable (quoted in the following table as Total Expense Ratio) under the default strategy are highlighted in bold below:

Fund	Active / Passive	Total Expense Ratio
LGIM Multi-Asset Fund	**Active**	0.25%
LGIM Over 15 Year Gilt Index Fund	**Passive**	0.10%
LGIM Cash Fund	**Passive**	0.12%

Source: LGIM as of 31 March 2025.

Fund	Transaction Cost – 2021 (%)	Transaction Cost - 2022 (%)	Transaction Cost – 2023 (%)	Transaction Cost – 2024 (%)	Transaction Cost – 2025 (%)	Average Transaction Cost (%)
LGIM Multi-Asset Fund	0.026%	0.012%	0.044%	0.025%	0.020%	**0.025%**
LGIM Over 15 Year Gilt Index Fund	0.001%	0.054%	0.189%	-0.009%	0.062%	**0.059%**
LGIM Cash Fund	-0.002%	0.020%	0.042%	0.075%	0.127%	**0.052%**

Source: LGIM as of 31 March 2025.

AVC Charges

3.5 The Scheme has Additional Voluntary Contribution (AVC) policies with Aviva, Clerical Medical and Utmost Life and Pensions (Utmost) in a mixture of unit linked and with-profit funds.

3.6 When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which these represent good value for members.

Fund	Active / Passive	Total Expense Ratio
Aviva BlackRock (50:50) Global Equity Index (Aquila C)	Passive	0.58%
Aviva Cash	Active	0.58%
Aviva Pre-retirement Fixed Interest	Active	0.58%
Clerical Medical UK Growth Pension*	Active	0.50%
Clerical Medical Balanced Pension*	Active	0.50%
Clerical Medical With Profit Funds*	Active	0.50%
Clerical Medical Halifax*	Active	0.50%
Utmost Life Money Market	Active	0.50%
Utmost Life Managed	Active	0.75%

Source: Aviva, Clerical Medical and Utmost Life as of 31 March 2025.
*Clerical Medical define TER as the annual management charge.

Fund	Transaction Cost – 2021 (%)	Transaction Cost – 2022 (%)	Transaction Cost – 2023 (%)	Transaction Cost – 2024 (%)	Transaction Cost – 2025 (%)	Average Transaction Cost (%)
Aviva BlackRock (50:50) Global Equity Index (Aquila C)	0.086%	0.069%	0.039%	0.051%	0.041%	**0.057%**
Aviva Cash	0.001%	0.000%	0.001%	0.009%	0.030%	**0.008%**
Aviva Pre-retirement Fixed Interest	0.036%	0.012%	0.030%	0.047%	0.043%	**0.034%**
Clerical Medical UK Equity Tracker	0.390%	0.270%	0.380%	0.270%	0.012%	**0.264%**
Clerical Medical Balanced Pension	0.440%	0.220%	0.380%	0.250%	0.365%	**0.331%**
Clerical Medical With Profit Funds	0.410%	0.180%	0.330%	0.250%	0.188%	**0.272%**
Clerical Medical Halifax	0.000%	0.000%	0.000%	0.000%	0.000%	**0.000%**
Utmost Life Money Market	0.000%	0.000%	0.010%	0.021%	0.000%	**0.006%**
Utmost Life Managed	0.021%	0.007%	0.095%	0.103%	0.011%	**0.047%**

Source: Aviva, Clerical Medical and Utmost Life as of 31 March 2025, except for the Clerical Medical UK Equity Tracker fund which is as of 31 January 2025. Figures are per annum.

Reporting Costs and Charges

3.7 In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

3.8 In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following (with the Scheme's relevant funds/strategies listed in brackets):

The most popular fund: Default Lifestyle
The most expensive fund: Clerical Medical Balanced Pension Fund
The least expensive fund: LGIM Over 15 Year Gilts Index Fund

The illustrations that follow take into account the following elements:

- Initial savings pot size
- Real terms investment return gross of costs and charges
- Adjustment for the effect of costs and charges, and
- Time.

3.9 To illustrate the impact of charges on a typical deferred member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the TER, transaction costs and inflation.

Illustration 1: A typical average deferred member invested in the DC and AVC fund range

	Most popular fund: Default Lifestyle		The most expensive fund: Clerical Medical Balanced Pension		The least expensive fund: LGIM Over 15 Year Gilts Index Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£6,295	£6,277	£6,438	£6,385	£6,483	£6,473
2	£6,410	£6,375	£6,686	£6,575	£6,779	£6,757
3	£6,546	£6,495	£6,943	£6,771	£7,088	£7,054
4	£6,706	£6,637	£7,210	£6,973	£7,411	£7,364
5	£6,890	£6,803	£7,487	£7,181	£7,749	£7,688
6	£7,099	£6,995	£7,775	£7,396	£8,103	£8,026
7	£7,337	£7,214	£8,073	£7,616	£8,472	£8,378
8	£7,587	£7,445	£8,384	£7,843	£8,859	£8,747
9	£7,841	£7,681	£8,706	£8,077	£9,263	£9,131
10	£8,101	£7,923	£9,041	£8,318	£9,686	£9,533

Notes

1. Projected pension pot values are shown in today's terms.
2. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from Aptia, Aviva, Clerical Medical and Utmost. At the time of writing, Aptia was unable to provide up-to-date member data. Therefore, the DC members' pot sizes reflect the most recent data available as of March 2024.
3. The assumed member is age 55, with a normal retirement age of 65, using a starting pot size of £6,200. The member is assumed to be making no further contributions to the Scheme.
4. Inflation is assumed to be 2.5% per annum.
5. Values shown are estimates at end of each year and are not guaranteed.
6. Charges, transaction costs and estimated growth rates are assumed as follows:

Fund	TER	Transaction costs	Growth rate assumptions
Default Lifestyle	0.25% p.a. for members 9 or more years from retirement, decreasing to 0.11% p.a. for members at retirement.	0.03% p.a. for members 9 or more years from retirement, increasing to 0.06% p.a. for members at retirement.	4.00% p.a. before inflation for members 9 or more years from retirement, rising to 5.75% p.a. before inflation for members at retirement.
Clerical Medical Balanced Pension	0.50% p.a.	0.33% p.a.	6.00% p.a. before inflation
LGIM Over 15 Year Gilts Index Fund	0.10% p.a.	0.06% p.a.	7.00% p.a. before inflation

Charge and costs figures provided by Aviva, Clerical Medical, LGIM and Utmost. Growth rate assumptions were provided by the providers. The Regulations state that where possible, fund transaction costs should be assumed. These illustrations are based on an average of the previous five years' transaction costs for each fund, where available.

Illustration 2: A typical youngest deferred member invested in the DC and AVC fund range

	Most popular fund: Default Lifestyle		The most expensive fund: Clerical Medical Balanced Pension		The least expensive fund: LGIM Over 15 Year Gilts Index Fund	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£7,401	£7,381	£7,570	£7,507	£7,623	£7,610
2	£7,514	£7,473	£7,861	£7,731	£7,970	£7,945
5	£7,863	£7,756	£8,803	£8,444	£9,112	£9,039
10	£8,482	£8,251	£10,630	£9,781	£11,388	£11,208
15	£9,314	£8,943	£12,836	£11,329	£14,234	£13,898
21	£11,251	£10,675	£16,096	£13,513	£18,603	£17,991

Notes

1. Projected pension pot values are shown in today's terms.
2. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from Aptia, Aviva, Clerical Medical and Utmost. At the time of writing, Aptia was unable to provide up-to-date member data. Therefore, the DC members' pot sizes reflect the most recent data available as of March 2024.
3. The assumed member is age 44, with a normal retirement age of 65, using a starting pot size of £7,290. The member is assumed to be making no further contributions to the Scheme.
4. Inflation is assumed to be 2.5% per annum.
5. Values shown are estimates at end of each year and are not guaranteed.
6. Charges, transaction costs and estimated growth rates are assumed as follows:

Fund	TER	Transaction costs	Growth rate assumptions
Default Lifestyle	0.25% p.a. for members 9 or more years from retirement, decreasing to 0.11% p.a. for members at retirement.	0.03% p.a. for members 9 or more years from retirement, increasing to 0.06% p.a. for members at retirement.	4.00% p.a. before inflation for members 9 or more years from retirement, rising to 5.75% p.a. before inflation for members at retirement.
Clerical Medical Balanced Pension	0.50% p.a.	0.33% p.a.	6.00% p.a. before inflation
LGIM Over 15 Year Gilts Index Fund	0.10% p.a.	0.06% p.a.	7.00% p.a. before inflation

Charge and costs figures provided by Aviva, Clerical Medical, LGIM and Utmost. Growth rate assumptions were provided by providers. The Regulations state that where possible, fund transaction costs should be assumed. These illustrations are based on an average of the previous five years' transaction costs for each fund, where available.

Net Investment Returns

3.10 To help members understand how their investments are performing, the tables below show investment returns, net of all charges and transaction costs, for all investment options used by members during the scheme year.

Default option

Age of member at the start of the period	Annualised returns to 31st March 2025	
	1 Year (p.a.)	5 Year (p.a.)
25	3.5%	6.0%
45	3.5%	6.0%
55	3.5%	3.8%

Source: LGIM as of 31 March 2025.

Self-Select Funds

Self-Select Funds - Net Performance	Annualised returns to 31st March 2025	
	1 Year	5 Year (p.a.)
LGIM Multi-Asset (formerly Consensus) Fund	3.5%	6.0%
LGIM Over 15 Year Gilts Index Fund	-8.2%	-12.6%
LGIM Cash Fund	5.0%	2.4%

Source: LGIM as of 31 March 2025.

AVC Funds

AVC Funds – Net Performance	Annualised returns to 31st March 2025	
	1 Year	5 Year (p.a.)
Aviva BlackRock (50:50) Global Equity Index (Aquila C)	5.2%	12.3%
Aviva Cash	4.6%	2.0%
Aviva Pre-retirement Fixed Interest	-2.6%	-6.0%
Clerical Medical UK Equity Tracker	**	**
Clerical Medical Balanced Pension	2.2%	6.9%
Clerical Medical With-Profits Fund*	8.7%	3.6%

AVC Funds – Net Performance	Annualised returns to 31st March 2025	
	1 Year	5 Year (p.a.)
Clerical Medical Halifax	0.6%	0.1%
Utmost Life Money Market	4.2%	1.6%
Utmost Life Managed	5.6%	8.0%

Source: Aviva, Clerical Medical and Utmost as of 31 March 2025.
*Performance is as at 31/12/2024. Clerical Medical With-Profits fund performance shows how the assets have performed compared with returns from relevant benchmark indices. The ultimate value of a with-profits investment depends on future bonuses which cannot be guaranteed.
**At the time of writing, Clerical Medical had not provided annualised returns for the Clerical Medical UK Equity Tracker fund. However, these were requested.

4. Value for Members

4.1 In accordance with regulation 25(1)(b), the Trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent value for members, compared to other options available in the market.

4.2 In September 2024 the Trustees, with support from their advisers, Mercer, undertook a value for members assessment.

4.3 The Trustees have carried out an assessment of the value for members offered by the Scheme, considering the following areas:

1. Costs and charges
2. Performance, and
3. Administration and governance.

An overview of the results of the Trustees' assessment against the three areas is shown below.

Assessment area	Rating	Key comments
1. Costs and charges	GOOD	Charges are generally competitive relative to other funds available in the market. Charges for the funds under the default investment option and funds under as part of the AVC arrangements are significantly below the charge cap of 0.75% per annum.
2. Performance	GOOD	Overall good performance across the three funds. The Multi-Asset Fund, which holds most assets, is rated amber on 5-year performance due to underperformance against its official benchmark but rated green overall, supported by a strong forward-looking rating and above-median performance against multi-asset peer group over the same 5-year period. No major concerns. However, ongoing monitoring is advised.
3. Administration and governance	REASONABLE	We believe that the Scheme offers reasonable value. The Scheme has a good governance structure however L&G can offer more sophisticated member services and member communications should be issued more frequently.
Overall	**GOOD**	

4.4 The Trustees note that value for members does not necessarily mean the lowest fee and the overall quality of the service received has been taken into account in the assessment of value to members.

4.5 The Trustees concluded that the Scheme's overall range of unit linked investment options represent reasonable value for money in comparison to the member-borne charges for those options. The reasons underpinning this conclusion include:

- The fees for the DC funds are below the median comparator for their peer group.
- The fees for the AVC funds are more expensive, but generally we consider them to be reasonable value compared to other AVC arrangements.

4.6 A small subset of members of the Scheme also have access to with-profits investment options; however, providing a comparison between one with-profits fund and its peers is extremely difficult. Each with-profits fund offers different terms and guarantees and, hence, will invest very differently from one another, which in turn impacts the performance received through pay-outs. Indeed, a specific with-profits fund will often provide different guarantees dependent on when a member started contributing or when each contribution was actually invested. The available universe of with-profits funds is not sufficiently alike to enable relative assessments based on just past or potential performance.

4.7 The Trustees acknowledge that the other services that members receive are outdated compared to those currently available with other providers on more modern platforms. However, given the size and longevity of the Scheme, they believe the services offered remain appropriate.

4.8 Furthermore, additional services such as trustee governance, adviser fees and additional communications that are paid for by the Company provide additional good value for members at a Scheme-wide level. Whilst not a member deduction, the Trustees recognise the contribution to value for members.

5. Trustee Knowledge and Understanding

5.1 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme. This requirement has been met during the course of the Scheme year as follows:

5.2 A Trustees' training log is maintained including training undertaken at each meeting and the areas of the Pension Regulator's Trustee Toolkit. The log is reviewed regularly.

5.3 The Trustees also undertake ongoing training, both as a group and individually to keep abreast of relevant developments. For the Scheme year, this included training and updates on:

- Pension legislation – Scheme Actuarial Valuation training in September 2024.
- Pension legislation – Current Issues in March 2025.

5.4 During the period, the Trustees undertook a number of activities that involved giving detailed consideration to pensions and trust law, the Scheme's governing documents and the SIP. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities, for example, by developing their knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes. Additional training requirements that have been met during the period to which this Statement relates are as follows:

Requirement	How met & date
Trustees must describe how, through the scheme year, the trustees have demonstrated a working knowledge of the trust deed and rules.	The Trustees are conversant with, and have demonstrated a working knowledge of, the Trust Deed and Rules during the Scheme year by providing decisions in line with the Rules.
Trustees must describe how, through the scheme year, the trustees have demonstrated a working knowledge of the current SIP.	During the year, the Trustees discussed the updated SIP. The SIP was updated and signed in June 2024.
Trustees must describe how, through the scheme year, the trustees have demonstrated a working knowledge of all documents setting out	The Trustees have demonstrated a working knowledge of their current policies through their maintenance of an annual calendar. Key policies and documents are reviewed

the trustees' current policies.	annually and updated if appropriate.
Trustees must describe how, through the scheme year, the trustees have demonstrated that they have sufficient knowledge and understanding of the law relating to pensions and trusts.	The Trustees' advisors, Mercer, attend each meeting and give the Trustees an overview of market and legislative developments, including Trustees' duties and requirements for strong governance. In addition, if there are any ambiguities over the interpretation of the Rules or new legislation, legal advice is sought from the Trustees' lawyers.
Trustees must describe how, through the scheme year, the trustees have demonstrated that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes.	The Trustees, alongside their advisors, have looked carefully at the opportunity to reduce risk. The Trustees have also attended training covering funding, investment, governance and legal areas. Specific training included: • Pension legislation – Current Issues in March 2025. As a result, the Trustees believe that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes.
Trustees must describe how, through the scheme year, the trustees have demonstrated that their combined knowledge and understanding, together with available advice, enable them to properly exercise their functions.	The Trustees receive advice from professional advisers to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustees along with their own experience allows them to properly exercise their function as Trustees.

5.5 The Trustees have previously undertaken a Trustee Knowledge and Understanding (TKU) analysis. Any potential knowledge gaps are identified by this self-evaluation during the Scheme year and an analysis report is produced and discussed. An assessment did not take place this Scheme year due to the logistics of the Scheme's long-term structure. Ongoing training needs are recorded on the Trustees' training log.

5.6 The Trustees also reviewed the Scheme's annual plan in Q1 2025 and Risk Register in Q4 2024. Changes to these documents were made as appropriate.

5.7 The Trustees' meetings held in the period of this Statement were attended by the Scheme advisers. Training and advice delivered as part of the business at these meetings is incorporated by the Trustees into their decision-making processes.

5.8 Taking account of actions taken individually and as a group of Trustees, and the professional advice available to them, the Trustees consider they are able to exercise their function as an effective Trustee Board.

5.9 I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

Signed for and on behalf of the Trustees of the Princes Pension Scheme.

Date ………………………...

By

…………………………………………………………………
A Hargraves, Chair of Trustees

Princes Pension Scheme

Statement of Investment Principles – June 2024

Introduction

The Trustees of the Princes Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation, including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with the sponsoring company, Princes Limited (the "Company"), to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives.

The Scheme has two sections, a Defined Benefit Section and a Defined Contribution Section. Each of these is covered separately in this Statement in sections 2 and 3 respectively.

In making decisions the Trustees seek professional advice. Following such advice, the Trustees undertake dialogue from which a decision is made. A sub-committee of the Trustees will be convened from time to time to discuss particular issues. The sub-committee has no decision making powers, but can recommend a course of action to the Trustees.

Defined Benefit Section

Investment and Funding Objectives

In February 2024, the Trustees undertook a "buy-in" by using the majority of the Scheme's assets to purchase a bulk annuity insurance policy with Aviva Life & Pensions UK Limited (Aviva), a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Under this policy Aviva undertake, via the Scheme, to pay the Scheme's benefit obligations as they fall due. The Trustees purchased the policy with Aviva having considered appropriate advice from their advisors. The remaining Scheme assets are invested in the funds detailed in Section 2.4, and the monies held in the Trustee Bank Account will be used to fund any ongoing expenses.

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees' primary objectives are as follows:

- *To ensure that the Scheme can meet its obligations to the beneficiaries.*
- *To provide protection for members' accrued benefits.*

The Trustees believe the best way of achieving this is by securing all members' benefits with an insurance company.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in Section 6.

Process For Choosing Investments

The Trustees have considered their objectives for investing the Scheme's assets and constructed a portfolio of investments consistent with these objectives.

The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 and subsequent legislation.

Following the completion of the buy-in, the Trustees received advice from Mercer regarding the re-investment of the Scheme's residual assets into appropriate funds that broadly match the Scheme's remaining interest rate and inflation sensitivities, whilst providing a high degree of liquidity and capital protection in relation to the investments to be held in cash.

In this capacity, the Scheme's residual assets beyond the bulk annuity policy are now invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day-to-day basis.

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The risks that arise through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees have sought to mitigate this primary risk by the purchase of a bulk annuity policy. The Trustees have appointed Aviva as the annuity provider having obtained and considered written advice. The policy is an asset of the Scheme. Broadly speaking, under the policy, Aviva make payments equal to the benefit payments due to members as specified in the data provided to Aviva.
- The Trustees acknowledge a number of risks remain having purchased the bulk annuity:

  1) Counterparty risk – the risk that Aviva may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contract, the Trustees obtained and carefully considered professional advice regarding the financial strength of Aviva. The Trustees accepted the advice, namely that Aviva was financially strong and had sufficient capital resources to support the proposed transaction and that, correspondingly, there was no reason in relation to financial strength why the transaction should not proceed. In addition, the Trustees are aware that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS").

  2) Liquidity risk – the risk that the Scheme's assets are not sufficiently liquid to meet the Scheme's cashflow requirements. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with Aviva. Prior to purchasing the policy, the Trustees were satisfied that all known members' benefits would be insured in full.

  3) Lack of diversification – The Trustees recognise that entering into an annuity contract with a single provider represents a concentration of risk. However, the Trustees are satisfied that this risk is acceptable after due diligence on the provider.

- The Scheme also invests residual assets in three Mercer Funds (namely passive gilt funds and a cash fund). The passive gilt funds are held to provide interest rate and inflation sensitivity in order to manage the risk that the cost of securing additional benefit payments, using residual assets, increases due to these factors. The cash fund in which the Scheme invests is subject to small amounts of interest rate risk, inflation risk and credit risk. The aim of the fund is to provide capital security and liquidity.

- This is not an exhaustive list of risks that the Scheme's investments may face, but serves to highlight some of the key risks identified to date.

- The safe custody of the Scheme's assets held outside the bulk annuity policy is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

Investment Strategy

The Trustees are accountable for the investment of the Scheme's assets. The Trustees delegate some aspects of the Scheme's investment arrangements in order to manage the Scheme's affairs effectively.

The Trustees, following consultation with the Sponsoring Company, purchased a bulk annuity policy issued by Aviva. Aviva is authorised by the Bank of England Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK.

In addition, the Trustees invest residual balances in gilt funds, a cash fund and a bank account. All investment decisions including strategic asset allocation and monitoring of the Investment Manager are based on advice received from the Investment Consultant. Mercer has been appointed for this purpose.

Day-to-Day Management of the Assets

2.5.1 Assets outside of the Bulk Annuity Policy

The Trustees invest the residual assets of the Scheme in pooled funds provided by Mercer. The Scheme's assets are held in passive gilts and a cash fund.

The residual assets' strategic allocation was implemented after considering written advice over time:

Fund	Initial Allocation	Benchmark Index
MGIE UK Long Gilt Fund	12.2%	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
MGIE UK Inflation Linked Bond Fund	18.4%	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index
MGIE UK Cash Fund	69.4%	FTSE GBP 1 Month Euro Deposit
Total	**100.0%**	

These allocations will not be automatically rebalanced.

The Investment Manager has full discretion to buy and sell investments on behalf of the Scheme, subject to agreed constraints and applicable legislation. The Trustees have taken steps to satisfy themselves that the Investment Manager has the appropriate knowledge and experience for managing the Scheme's investments.

2.5.2 Investment Management Arrangements

Alignment of Insurer Objectives and Incentivisation

Aviva have been appointed with the aim of insuring the Scheme's liabilities and reducing the Scheme's funding volatility. The Trustees sought expert advice in relation to this appointment. This includes an assessment of Aviva's capabilities, knowledge and experience. The annuity policy is managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policy is aligned with the Trustees' objectives and the terms of the policy incentivise Aviva to meet the Trustees' objectives. The Trustees understand that they have no ability to determine or influence the assets in which Aviva invests. The Trustees recognise that the annuity investment is illiquid and cannot be traded.

The objective for the passive gilt funds is to track the total return of the relevant market index, within specified tolerances (see below).

Fund	Expected Tracking Error ±% p.a. over 5 year rolling periods
MGIE UK Long Gilt Fund	Less than 0.25
MGIE UK Inflation Linked Bond Fund	Less than 0.25
MGIE UK Cash Fund	0.5

The MGIE UK Cash Fund is invested with the aim of achieving a cash return while minimising risk. This is aligned with the Trustees' objectives.

The Trustees can terminate Mercer's appointment with minimal notice if they become concerned over Mercer's ability to deliver against these objectives.

Performance Assessment & Fees

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustees' choice of insurer taking the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remunerating the insurer.

Mercer receive income on the Mercer Funds as a percentage of the amount invested. Performance is assessed against the applicable benchmark indices.

Portfolio Turnover Costs

The obligation of the insurer to make payments is not impacted by on-going turnover costs and is not considered by the Trustees.

The gilts and cash funds' trading costs are minimal. As such the Trustees do not intend to monitor turnover costs explicitly in relation to these holdings.

Realisation of Investments

The selection of investments is carried out in a way consistent with the overall principles set out in this Statement.

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under the annuity contract. These payments are available to meet the Scheme's cash outflows.

The Trustees on behalf of the Scheme also own units in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

Investment Objectives

The Trustees recognise that members have different investment needs and that these may change during the course of members working lives. The Trustees also recognise that members have different attitudes to risk and endeavour to provide a choice of funds with different risk profiles. The following encapsulates the Trustees' investment objectives:

"To maximise the value of the members' retirement benefits subject to acceptable levels of investment risk, management and administration costs."

The DC Section is closed to new members.

Risk

There are various risks to which the defined contribution section is exposed. In particular, the Trustees' policy on risk management in respect of this section is as follows:

Risk		Description	How is the risk monitored and managed?
Market risks	Inflation risk	If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.	The risk of market volatility reducing a member's fund close to retirement is recognised. To reduce this risk, the Trustees operate a lifestyle switching programme, which progressively switches each member's fund from a growth oriented strategy to bonds and cash in the 9 years prior to retirement. The Trustees recognise the risks that may arise from the lack of diversification of investments. The
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	

Risk	Description	How is the risk monitored and managed?
Equity, property and other price risk	The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' individual accounts. The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested.	Trustees therefore invest in pooled fund vehicles, with the aim to ensure that the fund choices and manager structure policies in place result in adequately diversified portfolios for members to invest in.
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers. See Section 6 for the Trustee's responsible investment statement.
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustees regularly review performance of investment funds. The management of this risk is outsourced to the Investment Manager. The document governing the Investment Manager appointment includes a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
Liquidity risk	The Scheme must be able to meet its liabilities as and when they become due.	Members invest in daily dealt pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.
Pension Conversion risk	The purchasing power of members may fall relative to how they wish to take benefits at retirement.	The Trustees make use of a lifestyle strategy for DC members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. The Trustees only make available a lifestyle strategy that targets the purchase of an annuity at retirement. This is managed triennially as part of the default strategy review.

The Trustees recognise the risk of underperformance introduced by the use of active managers, and therefore the Trustees make use of passive index tracking funds wherever possible.

The above items are in relation to what the Trustees consider 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered.

Investment Strategy

The Trustees operate a lifestyling strategy for all members. The strategy invests in growth assets (via a multi-asset fund) in the years leading up to retirement, and as retirement approaches the assets are gradually switched into a bond fund and a cash fund. This approach aims to maximise potential returns on member funds prior to retirement and control the volatility of fund values as members get closer to retirement, in line with the Trustees' stated objective for this section. The funds available for members to invest in under the lifestyle strategy are shown in the table below:

Fund	Benchmark	Objective
Multi-Asset (Formerly Consensus) Fund	No formal benchmark or objective is stated. The Fund aims to provide long term investment growth through exposure to a diversified range of asset classes, excluding physical property. The diversified nature of the Fund means that the Fund is expected to have less exposure than an equity-only fund to adverse equity market conditions. However, the Fund may perform less strongly than an equity-only fund in benign or positive market conditions.	
Over 15yr Gilts Index Fund	FTSE Over 15 Year Gilts Index	Track Benchmark
Cash Fund[1]	BNY Mellon Pooled Fund Median	Match Benchmark

[1] As no passive cash fund exists at L&G, the Cash Fund used is actively managed and seeks to match, rather than track the benchmark.

Until nine years before a member's normal retirement date (NRD) member funds are invested in the Multi-Asset (Formerly Consensus) Fund. At a steady pre-determined rate, funds are switched over the nine years prior to NRD to the over 15 year gilts index and cash fund. Switching is undertaken quarterly, with the final switch being made the quarter before the member reaches NRD.

Default Investment Option

Within the DC Section, the only strategy available is the lifestyle arrangement, which is the default option for members.

3.4.1 The aims of the default investment option

- The default investment option is a strategy that manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default investment option, the Trustees have considered the trade-off between risk and expected returns.
- Assets in the default investment option are invested in the best interests of members and beneficiaries as a whole, taking into account the profile of members.
- Assets in the default investment option are invested in a manner, which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

3.4.2 Policies in relation to the default investment option

The Trustees believe that:

- The default investment option's growth phase structure, that invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a default option that seeks to reduce investment risk (and expected return) as the member approaches retirement by investing in a lower risk strategy across a broad range of asset classes.
- In particular, when reviewing the investment strategy of the default investment option, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustees also consider risk in terms of the (mis)alignment of investments with the method of taking benefits targeted by the default investment option.
- In view of the above, the level of risk within the decumulation phase of the default investment option should be considered in the context of managing risk throughout a member's term to retirement. This risk is managed by investing in equity, bond and multi-asset funds aiming to match short term changes in inflation rates, and in money market (cash) assets.

The Trustees have also given the chosen Investment Managers full discretion when evaluating environmental, social, and ethical considerations in the selection, retention and realisation of investments within the default investment option, subject to adhering to the investment restrictions and objectives of each component fund.

Taking into account the demographics of the Scheme's membership and the Trustees' view of how the membership will behave at retirement, the Trustees believe that the current default investment option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Other default option

On 1 January 2020, members invested in the With Profits AVC policy with Equitable Life had their assets transferred to Utmost Life and invested in the Secure Cash Fund. The transfer was carried out as a bulk transfer on a non-consent basis and as a result, the Secure Cash Fund is classified as a default option. This is not a default arrangement for the purposes of auto-enrolment.

The investment strategy of the Utmost Secure Cash Fund is being used as a temporary measure following the transfer from Equitable Life to Utmost until funds are transferred gradually to the Utmost Money Market Fund over the second half of 2020. The assets from the Equitable Life With Profits Fund had to initially be moved to the Utmost Secure Cash Fund to obtain the "uplifts" to the mount transferred.

More information on these funds is included in the appendix.

Day to Day Management of Assets

The Trustees delegate the day to day management of the assets to an investment manager. The Trustees have taken steps to satisfy themselves that the manager has the appropriate knowledge and experience for managing the Scheme's investments.

The Trustees invest the assets for this section in a range of pooled funds operated by LGIM Assurance (Pensions Management) Limited who delegate the management of assets to LGIM Investment Management ("LGIM"). This contract is written as a long term policy of assurance. L&G are regulated by the appropriate regulator. L&G has responsibility for the day-to-day discretionary management of those assets, subject to the terms and conditions contained within the Policy document governing their appointment.

Realisation of Investments

The Scheme's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation. All of the Scheme's investments are classed as liquid with most funds operating daily dealing.

Implementation and Engagement Policy

Within the Defined Contribution Section of the Scheme, the Trustees have contracted with LGIM to deliver DC investment management services. LGIM is regulated by the Financial Conduct Authority (the “FCA”).

The below table sets out the Trustees’ approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustees.

How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies
• The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. • The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager. • If the investment objective for a particular manager’s fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees’ wider investment objectives.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
• The Trustees consider the investment consultant’s assessment of how each underlying investment manager embeds ESG into its investment process and how the manager’s responsible investment philosophy aligns with the Trustees responsible investment policy. This includes the underlying investment manager’s policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies
• The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager’s stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustees’ focus is on long-term performance, they also take shorter-term performance into account. • If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustees may review the suitability of the manager, and change managers where required
How the trustees monitor portfolio turnover costs incurred by the asset manager.
The Trustees consider portfolio turnover costs within the DC section as part of the annual value for money assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

How the trustees define and monitor targeted portfolio turnover or turnover range.
The Trustees do not currently define target portfolio turnover ranges for funds, but they will engage with a manager if portfolio turnover is higher than expected.
How the trustees define and monitor the duration of the arrangement with the asset manager.
• The Trustees are a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments. • Within the DC section, the Trustees may also choose to remove a fund from the strategy, if no longer considered appropriate, and this is reviewed on at least a triennial basis.

Defined Benefit and Contribution Sections

Additional Assets

Assets in respect of members' Additional Voluntary Contributions are invested in a range of unit linked funds or With Profits funds managed by Aviva, Clerical Medical, and Utmost Life and Pensions ("Utmost") formerly Equitable Life.

Custodian

The role of a custodian is to ensure the safe keeping of the assets, record keeping and to facilitate all transactions entered into by the appointed investment managers. The assets are held in a bulk annuity insurance policy or in pooled funds.

Custodianship of underlying DB assets is the responsibility of Aviva and Mercer. Mercer has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their pooled vehicles. Mercer is responsible for keeping the suitability of State Street under ongoing review.

For the DC section, L&G appoint and monitor the custodian for their pooled funds and arrange for all necessary custodial services. The custodians to whom work is contracted by L&G are HSBC Global Investor Services Ltd for UK investments and Citibank Ltd for overseas equities.

ESG, Stewardship, and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Aviva in relation to the majority of the Scheme's DB assets via a bulk annuity contract, and to Mercer in relation to remaining invested DB assets. For the Scheme's DC assets responsibility is delegated to L&G.

The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are however satisfied that Aviva apply due consideration to ESG issues in the investment of assets underlying the contract.

Given the nature of the Scheme's DB investment policy, member views and non-financially material considerations are not taken into account in the selection, retention and realisation of investments.

Within the DC section, the Trustees have given L&G full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Scheme's defined contribution investments. Member views are not explicitly taken into account in the selection, retention and realisation of investments.

Reporting Requirements

The DB assets held with Mercer and DC section assets held with L&G are reviewed on a quarterly basis using quarterly reports prepared by Mercer and L&G respectively, covering valuation of investments held by the Scheme, along with details of how the funds used have performed relative to the long term benchmark expectations.

Compliance with this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. The Sponsoring Company will be consulted on any changes to this Statement.

Role of the Investment Consultant

Mercer is engaged as Investment Consultant to the Scheme. The Investment Consultant provides advice to the Trustees but does not have responsibility for decision making in any area. The role encompasses, but is not limited to, the following areas:

- Assistance in helping the Trustees formulate investment objectives.
- Advice on investment strategy.
- Advice on devising an appropriate investment manager structure.
- Assistance in selecting and monitoring of investment managers.

Appendix – September 2020

Utmost Life and Pensions Limited ('Utmost') – Default Investment Strategy

At the start of 2020, the assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost. From the 1 July 2020, the assets will be gradually moved into the Utmost Money Market Fund, following advice from the investment consultant.

As the Equitable Life With Profits Fund was closed and members mapped to a new investment strategy, the Trustees have created a new default arrangement, as per the broader definition of a default in the Occupational Pension Scheme (Preservation of Benefit and Charges and Governance) (Amendment) Regulations 2018. Details of the funds used within the Utmost Secure Cash Fund, and then subsequently their Money Market Fund, the new default arrangements, are set out in this Appendix.

The investment strategy of the Utmost Secure Cash Fund is being used as a temporary measure following the transfer from Equitable Life to Utmost until funds are transferred gradually to the Utmost Money Market Fund over the second half of 2020. The assets from the Equitable Life With Profits Fund had to initially be moved to the Utmost Secure Cash Fund to obtain the "uplifts" to the mount transferred.

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

Aims, Objectives and Policies

The aims, objectives and policies of each fund utilised within the default investment strategy are considered in more detail in following pages. The Trustees have focussed on what it considers to be 'financially material considerations'. The Trustees believe the appropriate time horizon over which to assess these considerations should be viewed at a member level. This will be dependent, for example, on the member's age and when they expect to retire.

Secure Cash Fund

The Trustees see the Secure Cash Fund as an appropriate interim investment whilst arrangements are made for the transfer of assets to the Money Market Fund at Utmost Life.

The main objectives of the Utmost Life Secure Cash Fund are capital preservation, liquidity and yield; in that order.

The Trustees note that the Secure Cash Fund's value is unlikely to keep pace with inflation. The fund is expected to produce a return in line with prevailing short term money market rates. Utmost has guaranteed that the unit price (net of fees) will not decrease, after accounting for charges below the price when the units were initially purchased. The Secure Cash Fund will cease to exist on 31 December 2020.

The Secure Cash Fund will predominately be invested in UK Treasury Bills, short term gilts and overnight bank deposits. On occasions, other high quality money market investments such as commercial paper or repurchase agreements may be purchased. The investment manager is responsible for determining the balance between these different kinds of investments.

The fund is daily priced.

Risk

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

Risk	How it is managed	How it is measured
Market Risk	The fund will predominantly be invested in UK Treasury Bills, short term gilts and overnight bank deposits. On occasions, other high quality money market investments such as Commercial Paper or Repurchase Agreements may be purchased. There is a guarantee in place that the value of the fund will not decrease, after the adjustment of fees below the price when the units were initially purchased.	The Trustees will monitor the performance of this fund, in line with the guarantee provided.
Inflation Risk	The fund is a short term investment, and as such inflation is not expected to have a large impact on the fund.	The Trustees will monitor the performance of this fund.
Counterparty Risk	The Trustees have taken comfort from the High Court ruling in 2019, which considered the status of Utmost in the initial stages of monitoring this investment. Underlying investments are considered in line with the main DC Section.	Monitor developments at Utmost, taking advice from the Investment Consultant.

Where not stated, other risks are managed and measured in line with the main DC Section.

Members Interests

The Secure Cash Fund is designed to meet its objective as outlined above. This fund will cease to exist in December 2020.

Given members have previously been invested in a with profits fund with a guarantee and the significant uplift members received when disinvesting from the with profits fund, the Trustees are comfortable with investing members assets initially in a fund that guarantees capital preservation for the first 6 months (and for partial funds thereafter until 31 December 2020).

Money Market Fund

The Trustees see the Money Market Fund as an appropriate investment following the temporary holding in the Secure Cash Fund, as detailed above.

The main objective of the Utmost Money Market Fund is to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates. The fund is daily dealt.

The Money Market Fund will predominantly be invested in short term deposits. The investment manager is responsible for determining the balance between the different kinds of investments.

Other policies are in line with the main DC Section.

Risk

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

Risk	How it is managed	How it is measured
Market Risk	The fund will predominantly be invested in short term deposits.	The Trustees will monitor the performance of this fund.
Inflation Risk	The fund is not aiming to keep pace with inflation.	The Trustees will monitor the performance of this fund, and will ensure members are aware of the fund's objectives.

Where not stated, other risks are managed and measured in line with the main DC Section.

Members Interests

The Money Market Fund is designed to meet its objective as outlined above.

Having considered where members assets were previously invested and the guarantee embedded in that arrangement and the fact that members received a significant uplift on disinvesting from the previous arrangement, the Trustees believe that a fund that's primary aim is to preserve capital (albeit this is not guaranteed) and liquidity is the most appropriate solution from the available fund range.

In line with regulation requirements, the Trustees will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic profile, if sooner.