Schroders solutions

FDR Limited Pension Scheme

Statement of Investment Principles

March 2022

Contents

1. Introduction

This document constitutes the Statement of Investment Principles (‘the SIP’) required under Section 35 of the Pensions Act 1995 for the FDR Limited Pension Scheme (the ‘Scheme’). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (‘the Myners Principles’) and TPR’s Investment Guidance for defined benefit pension schemes This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure)(Amendment and Modification) Regulations 2018.

The Scheme Actuary is Jane Curtis of Aon, the Investment Adviser is Schroders Solutions, and the Legal Adviser is Eversheds Sutherland (collectively termed ‘the Advisers’).

The Trustee confirms that, before preparing this SIP, it has consulted with FDR Limited ('the Sponsoring Employer') and has obtained and considered written advice from the Investment Adviser. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme’s assets and arranges administration of the Scheme. Where they are required to make an investment decision, the Trustee always receives advice from the relevant Advisers first and they believe this ensures they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 (‘FSMA’), the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme’s Defined Benefit (‘DB’) assets to the Fiduciary Management (‘FM’) service of Schroders IS Limited (‘Schroders Solutions’), hereafter referred to as the ‘DB Investment Manager’.

The Trustee has delegated the investment management of the Scheme’s Defined Contribution (‘DC’) assets to Legal & General Limited (the ‘DC Investment Manager’). The DB and DC Investment Managers are hereafter referred to as the ‘Investment Managers’.

The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme.

Declaration

The Trustee confirms that this Statement of Investment Principles reflects the investment strategy they have implemented for the Scheme. The Trustee acknowledges its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed .... Date ....

2. Scheme governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate.

The Trustee believes it should be collectively involved in the investment decision-making and have therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

3. Defined Benefit (DB) Objectives

The overall objective of the DB Section of the Scheme is to meet the benefit payments promised as they fall due. The Trustee has set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in Section 12 of this statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Scheme provides as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to any statutory funding requirement.
3. To achieve a return on investments which is expected to at least meet the actuarial assumptions over the long term.

In quantitative terms, the Trustee long-term objective for the Scheme is to target an investment return objective of approximately 0.75% per annum (net of fees) in excess of the liabilities set out in the Scheme's cash flow information provided by the Client or the Scheme Actuary. The objectives of the Scheme are not framed relative to the performance of any other pension funds.

4. Defined Benefit Investment Strategy

4.1 General Policies

The Trustee's approach to investment strategy is to allocate the assets into three pools – Collateral assets and liability hedge, Growth assets, and Cashflow matching credit assets. The investment objective is then translated into the strategy and assets are allocated to these three components, together defined as 'Portfolio':

- Collateral assets and liability hedge, where the focus is risk management, protection and insurance relative to the liability target. Invested in, but not limited to, fixed interest gilts, index-linked gilts and risk mitigating derivatives. This pool of assets seeks to generate returns in line with the Scheme liabilities (net of fees).
- Growth assets, where the focus is on return generation and taking risk in a controlled manner – such assets could include equities, government bonds, high yield bonds, commodities and hedge funds. This pool seeks to generate returns of at least SONIA + 3.125% per annum (net of fees).
- Cashflow matching credit assets where the focus is on efficient distribution of income and capital to match a proportion of liability cashflows as well as mitigating some of the interest rate risk inherent in the liabilities. This pool seeks to generate returns of at least SONIA + 1.125% per annum (net of fees).

The Trustee has agreed, following advice from their Investment Adviser, to allocate 20% of the Portfolio to Growth assets, 67.5% of the Portfolio to the Collateral assets, and 12.5% of the Portfolio to Cashflow matching credit, to achieve the overall target of Liability Benchmark + 0.75% per annum (net of fees). The Trustee acknowledges that the allocation to Cashflow matching credit will reduce over time (unless the Scheme's asset allocation is actively rebalanced) as income and capital is distributed and therefore excluding Cashflow matching credit 22.9% of the remaining portfolio will be invested in Growth assets and 77.1% in Collateral assets.

4.2 Suitability

The Trustee has established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

The Trustee has taken advice from the Advisers to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustee's objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Scheme (the Trust Deed).

4.3 Liquidity

The majority of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustee requires. As of July 2021, the Scheme has started the process of selling down remaining illiquid assets.

5. Defined Benefit Strategy Implementation

The Trustee employs the DB Investment Manager to manage the DB assets of the Scheme. The DB Investment Manager is appointed to invest the Scheme's assets through:

- Determining the asset allocation within the Growth portfolio.
- Selecting underlying managers to manage elements of the Growth portfolio.
- Within the Growth portfolio defining the allocations to each manager and the most appropriate form of access.
- Making changes where appropriate to the Growth portfolio.
- To appoint the manager(s) for the Cashflow matching credit mandate and make changes where appropriate.

The performance expectation of this process is delivery of the investment objectives set, as this is consistent with the overall investment objectives set out earlier in the SIP.

5.1 Mandates and performance targets

The Trustee has received advice on the appropriateness of the DB Investment Manager's targets, benchmarks and risk tolerances from the Advisers and believes them to be suitable to meet the Scheme's investment objectives. The DB Investment Manager has been mandated by the Trustee to manage the investments in a particular way, and details of these mandates are given in the Investment Management Agreement.

5.2 Manager Agreements

The Trustee and the DB Investment Manager have agreed, and will maintain, formal Investment Manager Agreements setting out the scope of the DB Investment Manager's activities, the charging basis and other relevant matters. The DB Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with Section 36 of the Pensions Act 1995 and underlying regulations.

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk. The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the DB Investment Manager and the Trustee. These ranges and sets of limitations will be specified in the formal Investment Manager Agreement and may be revised from time to time where considered appropriate as circumstances change. This will also include reference to the Cashflow matching credit mandate. The Trustee also have regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute in derivative transactions within the Growth portfolio. The Trustee has taken advice on the suitability of the contracts and has delegated responsibility to the DB Investment Manager to implement these instruments on their behalf. Derivative instruments are typically used for risk management purposes in the portfolio. Within the Cashflow matching credit mandate this has been delegated to the underlying manager(s).

5.5 Suitability

The Trustee has taken advice from the Advisers to ensure that the DB Investment Manager is suitable for the Scheme given its objectives.

The Trustee is also aware in particular that the DB Investment Manager is regulated by the Financial Conduct Authority in pursuit of the functions provided, and that this is a means of establishing suitability under the Pensions Act 1995. The Trustee will continue to monitor the ongoing suitability of their providers through regular meetings and reports.

Measurement of the funding position on the Technical Provisions basis also acts as a standard by which to measure de-risking progress. This may make the funding level look dire in the short term, but it at least paints a realistic picture and ensures that changes in the actuarial basis do not distort the position. This allows the Scheme to bank profit that has actually arisen, rather than false profit that appears only as a result of changes in reporting bases.

6. Defined Contribution Investment Objectives

The Trustee's objectives are to:

i. Provide investment funds of appropriate liquidity and diversification which are expected to generate income and capital growth that will provide a fund during retirement with which to remain invested, purchase a pension annuity and/or provide a cash lump sum (where applicable).

ii. The provision of a range of investment funds to accommodate the needs of different members.

7. Defined Contribution Investment Strategy

The Trustee has made available to members a default strategy. This section sets out the aims, objectives and policies in relation to the default strategy.

7.1 Aims and Objectives of the default strategy

The Trustee's aims and objectives in relation to the default strategy are to support members' investment needs where members either choose the default option or do not choose any option. Broader aims and objectives in relation to the Scheme as a whole are set out in Section 6, titled "Defined Contribution Investment Objectives".

7.2 Trustee Policies in relation to the default strategy

i. The kinds of investment to be held

The kinds of investments to be held within the default strategy are shown in Appendix 1.

ii. The balance between different kinds of investments

The balance between different investments within the default strategy is shown in Appendices C and D.

iii. Risks (including the ways in which risks are to be measured and managed)

Risks applicable to the Scheme as a whole are shown in Section 12, titled "Risks". All of the risks shown, including how they are measured and managed, are relevant to the default strategy.

iv. Expected return on investments

Target objectives for each fund used within the default strategy are shown in Appendix 1

v. Realisation of investments

Funds used within the default strategy are unitised, pooled funds which are dealt daily.

vi. Social, environmental or ethical considerations

The extent to which the Trustees consider social, environmental or ethical issues is shown in the Section 13, titled "Other Issues".

vii. Exercise of rights (including voting rights) attaching to the investments

The extent to which the Trustees consider the exercise of rights within the default strategy is shown in the Section 13, titled "Other Issues".

7.3 Acting in the best interests of members and beneficiaries

In designing the default strategy, the Trustee carried out a comprehensive review of the previous strategy, in conjunction with the Investment Advisers, focusing on member needs and outcomes, and cognisant of the impact of their policies, aims and objectives. Following this review, the Trustee selected the combination of aims and objectives within the default in order to achieve an investment strategy which they believe is in the best interests of relevant members and beneficiaries. This belief is supplemented by undertaking regular investment strategy reviews of the default strategy.

8. Defined Contribution Investment Strategy

Having considered advice from the Advisers, and also having due regard for the objectives and the members of the Scheme, the Trustees have made available a number of investment options. Members can choose to invest their contributions in one or more of the investment options.

The Trustee will ensure that each member's investments are invested within the required timescales in accordance with the fund options selected by the member.

8.1 Investment Options

A range of alternative funds has been made available to provide individual members with a choice of asset classes. These are detailed in Appendix 1.

8.2 Default Fund

The Trustee has decided to offer a default fund to members who do not specify where they would like their contributions to be invested.

8.3 Lifestyling

The Trustee recognises that no one option will be suitable for all members. However, the Trustees have made the decision to make available one “lifecycle” strategy that is designed to give members flexibility on how to draw benefits at retirement. Members’ investments are initially allocated to a mix of equities, bonds and alternative investments through a multi-asset strategy and as retirement approaches, allocations to bonds and cash are progressively increased. The accumulation phase of the “lifecycle” strategy is invested 60% in the Legal & General Global Equity Market Weights 30:70 Index Fund – 75% currency hedged and 40% in the Legal & General Multi-Asset Fund and switches monthly over a 10 year period into the following final allocations: 37.5% Legal & General Multi-Asset Fund, 37.5% Legal & General Pre-Retirement Fund and 25% Legal & General Cash Fund.

8.4 Diversification

The choice of investment options for members is designed to ensure they are able to choose investments that are adequately diversified and suitable for their profile. The Trustee monitors the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

8.5 Active and Passive Management

The choice of whether to offer active and/or passive fund options is dictated by the funds offered by the DC Investment Managers and the Trustee has taken this into account when selecting the DC Investment Managers for the Scheme.

8.6 Suitability

The Trustee has taken advice from the Advisers that the range of investment options offered to members is suitable. Members are responsible for choosing which of the funds is most appropriate for them, based on their own individual circumstances.

9. Defined Contribution Strategy Implementation

9.1 DC Investment Managers

Following advice from the Advisers, the Trustee has decided to appoint a passive Investment Manager for most asset classes, with the exception of one active multi-asset mandate. The Trustee is satisfied that the investment options available are wide enough to satisfy the reasonable return and risk combinations appropriate for most members.

9.2 Administrator

Administration for the Defined Contribution Section is provided by Capita Employee Benefits Limited (formerly Capita Hartshead Limited).

9.3 Investment of Contributions for Defined Contribution Section Members

Any member contributions will be invested in line with his or her selected choice of funds.

9.4 Performance Objectives

The performance of the passive funds is expected to be in line with the relevant index benchmark. The active fund aims to meet the criteria of the ABI Mixed Investment 40-85% Shares sector by investing primarily through index funds.

10. Monitoring

10.1 Investment Managers

The Trustee, or Advisers on behalf of the Trustee, will monitor the performance of the Investment Managers against the agreed performance objectives.

The Trustee, or the Advisers on behalf of the Trustee, will regularly review the activities of the Investment Managers to satisfy themselves that the Investment Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee will consider whether or not each Investment Manager:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees requirements, the Trustee will remove that Investment Manager and appoint another.

11. Risks

11.1 DB Section

The Trustee has limited appetite for investment risk and limited tolerance for potential deterioration in the funding position. The Trustee's willingness to take risk has reduced over time as the funding position has improved. It would be expected to reduce further if the funding position strengthens further and as the time horizon of the Scheme shortens. If the Trustee's assessment of Sponsor covenant was to deteriorate then, all else equal, this would also reduce the Trustee's ability and willingness to take investment risk. The limited appetite for risk has resulted in a portfolio that is a close match for the liabilities, with a high proportion of Scheme assets invested in fixed income assets.

The Trustee recognises a number of risks involved in the investment of the DB assets of the Scheme. These risks, and how they are measured and managed, include:

i. **Funding and asset/liability mismatch risk –** the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:

- A roll forward of the liability cash flow information, as provided by the Scheme Actuary, is used to assess changes due to interest rates and inflation. The Trustee monitors this change relative to the change in asset values on a quarterly basis. The liability cash flows are reviewed following each actuarial review.
- The Trustee also recognise the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than implied by the liabilities.
- When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk as set out in Section 3. Downside risk of the investment strategy is also measured by reference to the liability cash flows and can therefore be assessed as part of the quarterly review process.
- This risk is also monitored through regular actuarial and investment reviews.

ii. **Underperformance risk –** the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:

- Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
- The use of instruments and strategies designed to control the extent of downside exposure.
- The use of passive management for asset classes where the downside risk of active management is considered too high.
- Regular monitoring of the active managers' performance, processes and capabilities with respect to their mandate, and by use of more than one manager to avoid over exposure to one organisation.

iii. **Country risk –** the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

iv. **Concentration risk –** the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

v. **Mismanagement risk –** the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions. The activity of the Investment Managers and their processes are monitored regularly by the Investment Advisers on behalf of the Trustee.

vi. **Default risk –** the risk of income from assets not being paid when promised. This is addressed through restrictions for the Investment Managers e.g a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.

vii. **Organisational risk –** the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Managers and Advisers.

viii. **Counterparty risk –** the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

ix. **Cash flow risk –** addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.

x. **Sponsor risk –** the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly review the covenant of the Sponsoring Employer.

xi. **Currency risk** - the risk of adverse movements in currency for non-sterling investments. This risk is mitigated through the use of currency hedging, although active decisions are delegated to the Investment Manager.

xii. **ESG risk –** the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Investment Manager's ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio in the quarterly governance report.

11.2 DC Section

The Trustee recognise a number of risks for the members of the DC Section of the Scheme. DC investors face the following main risks:

i. **Inflation risk –** the risk that the purchasing power of their investment account is not maintained. To try and manage this risk, the DC Investment Managers will aim to achieve a return above the rate of inflation.

ii. **Annuity purchase risk –** the risk that the value of an annuity that can be purchased by a given defined contribution amount is not maintained. This risk cannot be mitigated as it depends on market conditions for annuity rates at retirement.

iii. **Capital risk –** the risk that the value of the element to provide a tax-free cash sum is not maintained. This could be due to the impact of any of the risks above and is addressed where possible in the same ways.

iv. **Communication risk –** the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Advisers and regular monitoring and updates, where appropriate, of member communications.

v. **Inappropriate member decision –** the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice.

vi. **Retirement asset mismatch risk –** the risk that members close to retirement are invested in assets not best suited to the way they intend to use their pension pot at retirement. For example, longer dated gilts might be suitable for a member intending to buy an annuity but, being a fairly volatile asset class, might not be suitable for a member intending to take their pot as a lump sum. Similarly, investing in cash would be the best way to seek capital protection but would expose a member intending to buy an annuity to annuity purchase risk. This risk is addressed by offering a default strategy which accommodates a range of member objectives at retirement.

vii. **ESG risk –** the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Managers where applicable, or by requesting information on the ESG policies, adopted by the Managers.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas annuity purchase risk and retirement asset mismatch risk become significant as retirement approaches.

There is no single investment option that best manages all of these risks. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing capital risk.

The varying nature of the risks faced by a defined contribution investor through time means that no single investment product will adequately meet the needs of the investor throughout the investing period.

Therefore, suitable funds will need to be sought for effective management of the risks faced by defined contribution investors.

The Trustee policy on risk is to provide members with a range of investment options into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective.

For this purpose, the Trustee, in conjunction with the Advisers, have chosen a range of investment options designed to provide members with a sufficient level of flexibility in their fund choices.

The Trustee will keep these risks and how they are measured and managed under regular review.

12. Other Issues

12.1 Defined Benefit Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

12.2 Corporate Governance and Stewardship Policy

The Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Investment Manager. The Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Investment Manager are subject to additional sign-off by the appropriate representative from the Investment Manager.

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy is available publicly here:

https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/#:~:text=A%20conflict%20arises%20where%20the,the%20advantage%20of%20the%20other

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

12.3 Additional Voluntary Contributions (AVCs)

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. Members are offered a range of funds with Legal & General in which to invest their AVC payments. The Trustee objective is to provide a range of funds which will provide a suitable long term return for members, consistent with members' reasonable expectations.

12.4 Realisation of Assets

The majority of assets are held in pooled funds, most of which can be realised easily if the Trustee so requires. Whilst the DB Investment Manager currently holds illiquid investments on behalf of the Scheme, the DB Investment Manager is not permitted to invest in any further illiquid assets, and has begun to sell down remaining illiquid assets.

12.5 Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.

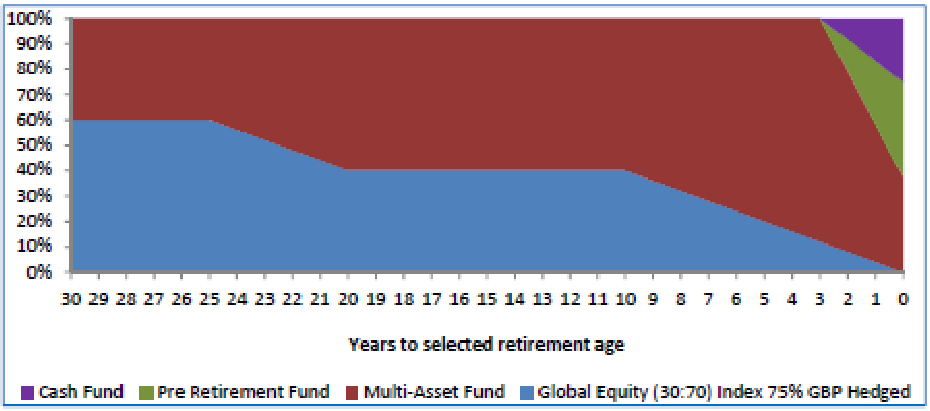
There are several investment options available to members and the detail of these are set out on the pages that follow.

While members are encouraged to make their own investment choices based on their circumstances and risk/return preference, the Trustee provides a default option for members who prefer to invest in a pre-determined investment strategy. This option is a lifecycle profile under which the asset allocation automatically changes as members approach retirement to reflect members' changing risk and return requirements.

Alternatively, members can choose a lifecycle profile targeting a particular retirement objective. Additionally, members can choose from either the Lifecycle's building blocks or a range of Self-Select investment options, which allows them to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objectives.

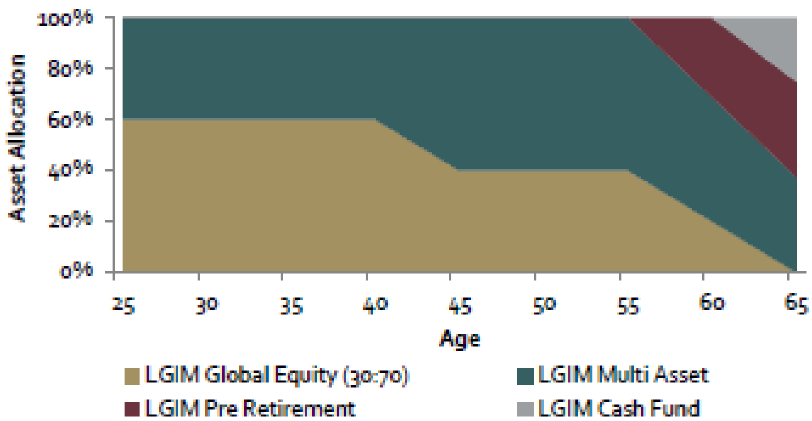
Lifecycle Option (Default)

This Lifecycle option will be the default where a member does not make a specific investment choice. The Lifecycle option phases a member through the following funds:



Lifecycle Option (Legacy)

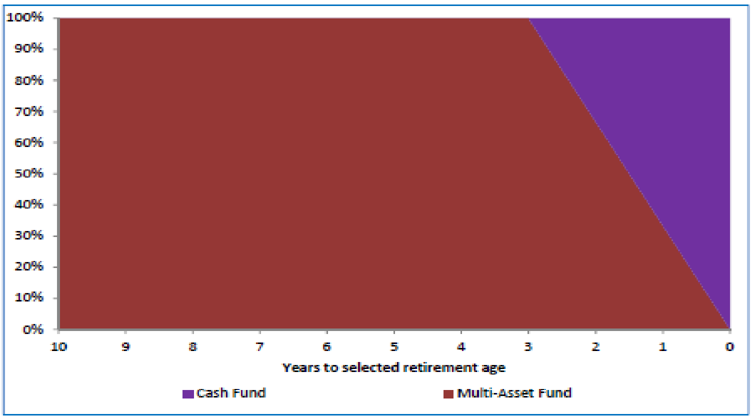
This Lifestyle option will be the default for members who were less than 10 years away from their target retirement age as at 1 August 2020.



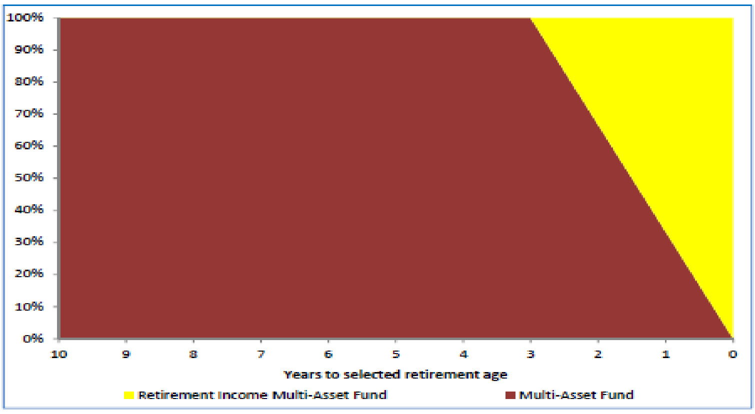
Alternative Lifecyle Options

These alternative Lifestyle options may be selected by members who wish to target a specific retirement objective.

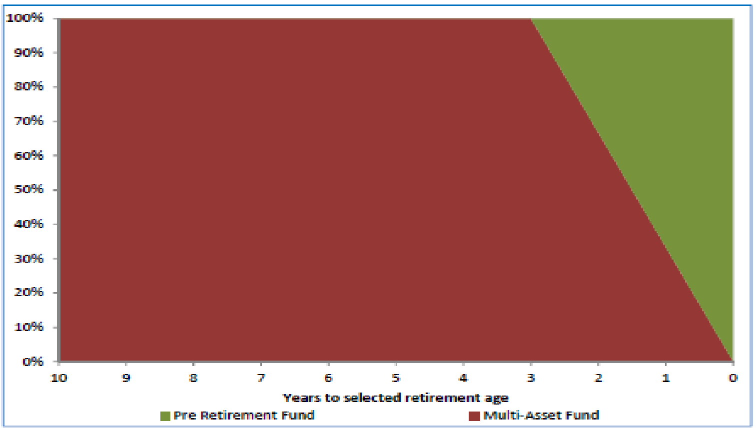
Cash Lifestyle strategy



Drawdown Lifestyle strategy



Annuity Lifestyle strategy



The objectives for the funds underlying the Lifecycle options are set out in more detail in the below table:

Manager	Asset Class	Fund Name	Objective	TER
LGIM	Global Equity	Global Equity 30:70 Index Fund Currency Hedged	30% FTSE All-Share Index, 70% FTSE All World (ex-UK, 75% GBP Hedged) Index	0.200%
LGIM	Multi Asset	Multi Asset Fund	ABI Mixed Investment 40-85% Shares sector	0.250%
LGIM	UK Bond	Pre-Retirement Fund	Provide an exposure to assets that reflects the investments underlying a typical level annuity product	0.150%
LGIM	Cash	Cash Fund	7-day LIBID	0.125%
LGIM	Multi Asset	Retirement Income Multi Asset Fund	Bank of England base rate + 3.5%	0.350%

Self-Select Options

The Self-Select options allow members to choose from a selection of individual asset class funds based on their own attitude to risk, term to retirement and investment objectives.

The Self-Select funds have been made available to supplement the Lifecycle building blocks (which are also available as self select options) and have been structure to provide additional choice to members to cover a wider asset class and risk spectrum.

Manager	Asset Class	Fund Name	Objective	TER
LGIM	Overseas Equity	World (ex-UK) Equity Index Fund Currency hedged	FTSE World (ex UK) Index - GBP Hedged	0.223%
LGIM	UK Equity	UK Equity Index Fund	FTSE All Share Index	0.10%
LGIM	UK Inflation-Linked Bond	Over 5 Year Index-Linked Gilts Fund	FTSE A Index-Linked (Over 5 Year) Index	0.10%
LGIM	Global Equities	Future World Fund	FTSE All-World ex CW Climate Balanced Factor Index	0.35%
LGIM	Multi Asset	Future World Multi-Asset Fund	ABI Mixed Investment 40-85% Shares Sector	0.30%
HSBC	Global Equities	Islamic Global Equity Index Fund	Dow Jones Islamic Market Titans 100	0.35%

Appendix 2 Lifestyle Matrices

Lifestyle Option (Default)

Age	LGIM Global Equity (30:70)	LGIM Multi Asset	LGIM Pre Retirement	LGIM Cash Fund
25	60%	40%		
26	60%	40%		
27	60%	40%		
28	60%	40%		
29	60%	40%		
30	60%	40%		
31	60%	40%		
32	60%	40%		
33	60%	40%		
34	60%	40%		
35	60%	40%		
36	60%	40%		
37	60%	40%		
38	60%	40%		
39	60%	40%		
40	60%	40%		
41	56%	44%		
42	52%	48%		
43	48%	52%		
44	44%	56%		
45	40%	60%		
46	40%	60%		
47	40%	60%		
48	40%	60%		
49	40%	60%		
50	40%	60%		
51	40%	60%		
52	40%	60%		
53	40%	60%		
54	40%	60%		
55	40%	60%		
56	36.0%	64%		
57	32.0%	68%		
58	28.0%	72%		
59	24.0%	76%		

60	20.0%	80%		
61	16.0%	84%		
62	12.0%	88%		
63	8.0%	71.17%	12.5%	8.33%
64	4.0%	54.33%	25.0%	16.67%
65		37.5%	37.5%	25.0%

Lifecycle Option (Legacy)

Age	LGIM Global Equity (30:70)	LGIM Multi Asset	LGIM Pre Retirement	LGIM Cash Fund
55	40%	60%		
56	36.0%	57.8%	6.2%	
57	32.0%	55.5%	12.5%	
58	28.0%	53.3%	18.8%	
59	24.0%	51.0%	25.0%	
60	20.0%	48.8%	31.3%	
61	16.0%	646.5%	32.5%	5.0%
62	12.0%	44.3%	33.8%	10.0%
63	8.0%	42.0%	35.0%	15.0%
64	4.0%	39.8%	36.3%	20.0%
65		37.5%	37.5%	25.0%

Lifecycle Option (Cash)

Years to Retirement	LGIM Multi Asset	LGIM Cash Fund
3 or more	100%	
2	66.67%	33.33%
1	33.33%	66.67%
0		100%

Lifecycle Option (Drawdown)

Years to Retirement	LGIM Multi Asset	LGIM Retirement Income Multi-Asset Fund
3 or more	100%	
2	66.67%	33.33%
1	33.33%	66.67%
0		100%

Lifecycle Option (Annuity)

Years to Retirement	LGIM Multi Asset	LGIM Pre-Retirement
3 or more	100%	
2	66.67%	33.33%
1	33.33%	66.67%
0		100%