# Carey Workplace Pension Trust

## Statement of Investment Principles

Date prepared: 18/09/19

# Contents

# 1. Introduction

1.1 This is the Statement of Investment Principles prepared by the Trustees of The Carey Workplace Pension Trust (the Trust). This statement sets down the principles which govern the decisions about investments that enable the Trust to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 (now the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018).

1.2 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).

1.3 In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and have the expertise necessary to manage the investments of the Scheme.

1.4 In relation to the current investment arrangements on which this statement is based, the Trustees have obtained advice from advisors who they consider to be suitably qualified and experienced for this role.

1.5 The Trustees are responsible for the investment of the Scheme's assets and arrange administration of the Scheme. Where they are required to make an investment decision, the Trustees will receive advice from the relevant Advisers first and they believe that this should ensure that they are appropriately familiar with the issues concerned.

1.6 The Investment Advisors to the Scheme are Dean Wetton Advisory.

1.7 The Trust has been set up to service multiple employers. The Trustees have consulted with the scheme strategist and scheme sponsor in the preparation of this statement and through them consider employer related interests.

1.8 The Trustees will review this statement at least every three years or sooner if there is a significant change in any of the areas covered by the statement or the demographic profile of members.

1.9 The investment powers of the Trustees are set out in Clause 6 of the Trust Deed, dated 18 October 2012. This statement is consistent with those powers.

1.10 The appendices of this document provide detail for each available section of the mastertrust in turn, detailing the default arrangement, any specific investment objectives and risk factors and (for the unadvised sections) the managers' ESG policies. Appendices 1-6 detail the unadvised sections, these sections are considered suitable for auto-enrolment purposes. Appendices 7a-7g cover the advised arrangements. The trustees are still researching the ESG positions of those in the advised sections to determine alignment with their own beliefs.

# 2. Choosing investments

2.1 The Trustee’s policy is to offer a default target date or lifestyle investment arrangement suitable for the Trust’s membership profile (The “Default”) plus a core range of investment funds into which members can choose to invest contributions (“Self-Selects”). There are some sections where different fund options have been made available. The Trustees have in each case obtained professional advice on the suitability of the options for that group of members, from advisors who they consider to be suitably qualified and experienced for this role. Details of each section are given in the appendix to this statement.

2.2 The day-to-day management of the Trust’s assets is ultimately delegated to one or more investment managers. The Trust’s investment arrangements are detailed in the Appendix to this statement. The investment managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights. In some cases, investment are made through the use of an insurance platform.

# 3. Scheme Objective

3.1 The objective of the scheme is to provide a bespoke and flexible proposition for all types of members and employers of any size. The scheme should represent value for members at all stages by providing a sustainable cost competitive solution that endeavours to provide good member outcomes. The Trustees will regularly review both the range of offerings and their prices to ensure that the offerings remain suitable.

# 4. Investment objectives

4.1 The primary focus of the scheme should be to provide age-appropriate risk-controlled returns. Each fund offered will have return objectives set by the investment manager, and the Trustees will pay attention to this in assessing whether each offering is performing as expected. The Trustees’ ultimate wish is that the returns of the scheme are able to provide a comparable retirement income to a DB scheme assuming equivalent levels of contributions from the Employee and the Employer. The Trustees therefore ultimately expect long term returns of at least Inflation + 2%. Managers will be measured over a 3 year and 5 year period to determine if they are achieving this goal. Where performance is deemed unsuitable the Trustees will engage the investment advisers to work with the Trustees and the Investment Manager to determine a resolution process on the continued suitability of the investments.

4.2 The Trustees have determined key investment objectives for the Trust for each cohort of members as well as the constraints the Trustees face in achieving these objectives. Further information is provided in the Appendix.

# 5. Kinds of investments to be held

5.1 The Trust is able to invest in a wide range of assets including stocks, shares, debentures, and property in relation to the Trust's target date or lifestyle arrangement. For members that wish to make their own investment and asset allocation decisions, a range of "self-select" funds may be made available. There are some investment options that are only available having obtained independent financial advice. Details of the available range of funds are provided in the Appendices.

# 6. The balance between different kinds of investments

6.1 The Trustees have made available a range of investment options to suit the varying risk requirements of the Trust's members. This may vary from section to section as detailed in the Appendices.

6.2 For the Trust's main default the Trustees have made available a target date arrangement, whereby members are automatically invested into a different fund depending on their target retirement age. The funds follow a very similar strategy, which changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to "protection" assets over the years preceding and following the member's target retirement date so as to protect the retirement savings of the member relative to the way in which they are expected to access these savings.

6.3 Additional default options in the form of lifestyle arrangements also exist, where the assets are progressively switched from those that are growth seeking to those that have protection qualities, similar to the target date approach.

6.4 Members of some Sections can also choose to invest in a range of funds if they wish to make their own asset allocation decisions. Where this is possible these options will be termed as "Self-Select" options.

6.5 Where members do not choose where their contributions, and those made on their behalf by their employer, are invested, the Trustees will invest these contributions according to the default investment strategy set out in the relevant Appendix. This may vary from Section to Section.

6.6 Taking into account the objectives and policies mentioned in this statement, the Trustees are willing to be guided by their advisors as to what arrangement is appropriate for a particular Section.

6.7 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

6.8 The Trustees consider the merits of both active and passive management and may select different approaches for different arrangements and asset classes.

# 7. Risks

7.1 Investment risk lies with the members themselves. However, the Trustees have considered a number of risks when making available suitable investment choices. Some of these risks will be more relevant to particular cohorts and sections of members. The risks include:

| | |
|---|---|
| **Inflation Risk** | The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return. |
| **Conversion Risk** | The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. The way in which this risk is mitigated depends on the section of the Trust. Please see the appendix for how this is dealt with. |
| **Investment Manger Risk** | The Trustees monitor the performance of the target date and other default arrangements on a quarterly basis. Meetings with some of the underlying investment managers of the alternative lifestyle arrangements, the self-select options and advised investment options occur from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate. |
| **ESG Risk** | The risk that failing to manage certain Environmental, Social and Governance factors could affect financial outcomes. |
| **Concentration Risk** | The risk of overexposure to a single investment, industry sector or country. The way in which this risk is mitigated depends on the section of the Trust. Please see the appendix for how this is dealt with. |
| **Currency Risk** | The Trust may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. |
| **Loss of Investment** | The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees will also undertake a review of the internal controls and processes of each of the investment managers where necessary. |

7.2 Further information on certain risks is shown in the Appendix, including in relation to liquidity risk and others that depend on the section.

# 8. Expected return on investments

8.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisers on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

8.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation and charges when making decisions and comparisons.

8.3 Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions. The Trustees meet the Trust's investment managers as frequently as is appropriate in order to review performance.

8.4 The Trustees maintain their own benchmarks with which to measure the default options against.

## 9. Realisation of investments

9.1 The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to in the appendices.

## 10. Socially Responsible Investment, ESG, Stewardship and Financially Material Considerations

10.1 The Trustee have explored their own beliefs and adjudge that a number of ESG factors have the potential to add value when fully integrated into the investment process for long term investors (here defined as 10-20 years) with the potential of improved outcomes for members. This integration will take a period of time to achieve for both the Trustee and investment managers with increments over time.

10.2 When making decisions regarding choice of investment managers the Trustees will consider the credentials (e.g. as signatories to UN PRI for example), ESG beliefs and practices of the investment manager and in their selection and direction of investment managers seek alignment with their own beliefs. The Trustees will request feedback from the investment managers to determine both how they manage ESG risks and how they intend to further develop in this area. Where possible the Trustees will put pressure on the managers to better align them with the Trustees' beliefs.

10.3 The Trustees distinguish between ESG Factors, which they take to mean those that are financially material, and Ethical Factors, which they take to refer to moral beliefs and values. The Trustees focus is on effective awareness of ESG factors in order to improve member outcomes.

10.4 The Trustees will take account of members' ethical views in their Investment strategy where there is a clear mandate of opinion. Currently the Trustee recognize a section of their membership who seek investments which are Shariah conformant and a dedicated Section for this cohort of members is provided and detailed in the Appendices.

10.5 Other than for the Shariah interests as identified above, the Trustees do not have any compelling evidence to believe that their membership holds other ethical or ESG views which should be considered as justifying precedence over investment returns. The Trustees intend to develop a better understanding of their memberships beliefs and will adapt their stance as appropriate.

10.6 The Trustees believe that climate change is an important risk to be managed and this topic is a key element within the engagement and management discussions with investment managers. The Trustee intend to establish and understand the carbon footprint of the Default investments on an at least an annual basis. The Trustees aspire that the carbon footprint should reduce over the long term at least in line with, or better than, the UK Government's climate objectives. In this objective the Trustee will seek to understand and then align with any industry standards which develop in such assessments.

10.7 The Trustees by nature of their choice and method of investments, generally do not directly own or can directly utilise themselves the voting rights associated with their investments. They therefore deliver their responsible investing duties by selecting Investment Managers whose principles are aligned with the Trustees. The Trustees engage with their Investment Managers to ensure their viewpoints around ESG and other material financial matters remain in line with those of the Trustees and voting rights are continued to be effectively used to support these beliefs. When considering investment managers, the Trustees will positively view the effective use of voting rights, and will look to find examples of where these have been used to promote views in line with the Trustees beliefs.

# 11. Agreement

11.1 This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employers, the members, the investment managers, and the Trust auditor upon request. The latest version will be made available online on the scheme website.

# Appendix 1 – Alliance Bernstein Target Date Fund Primary Default

## 1. Investment objectives

The Trustees' main investment objectives are:

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

The Trustees are responsible for selecting the governed default investment option, and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

## 2. Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, the Trustees believe that the target date arrangement set out below in Section three below represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 7 of this appendix)
- Expected return on investments
- Realisation of investments
- Responsible Investing expectations including ESG and Stewardship

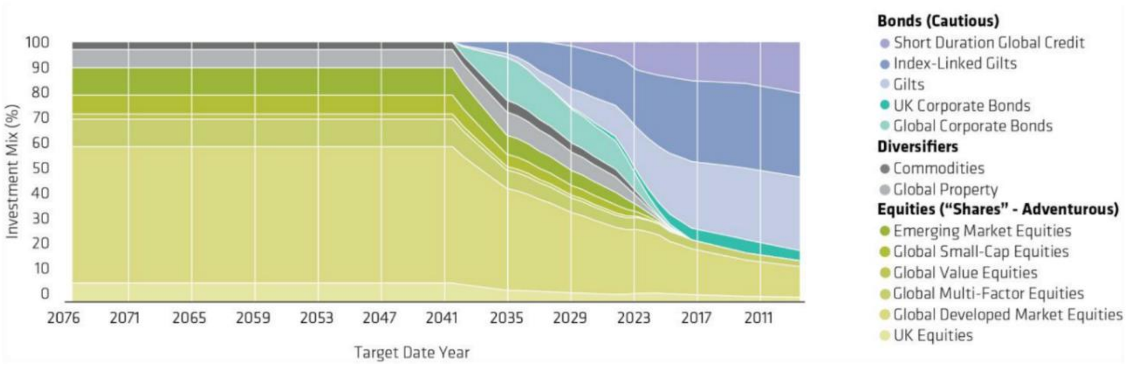
Further the Trustees believe that the same arrangement may also serve members who wish to leave their savings invested post their anticipated retirement age (to a maximum 75 years) and still gain the advantages of a risk managed investment suitable for their age.

These aspects have also been considered in the choice of self-select funds that the Trust has made available to members who wish to choose their own investment strategy.

# 3. Governed default strategy

A target date arrangement provided by AB represents the main governed default strategy for the Trust both pre and post retirement. There are a number of funds in the arrangement that differ based on the expected target date (or retirement age) of the members. We currently use the AB Retirement Strategies Target Date Funds.

As members may not know how they will access their retirement savings the Trustees offer an arrangement that does not target a single method of taking income e.g. annuity purchase, cash, drawdown but is broadly suitable in these circumstances - the aim is to provide good member outcomes regardless of how income is eventually taken. An example asset allocation over time provided by AB for one of their target-date funds is shown in the graph below:




As shown in the diagram above, the fund remains in existence after a member's target date of retirement, allowing the arrangement to be used for income drawdown.

# 4. Choosing investments

The Trustees have appointed AB to carry out the day-to-day investment management of the Trust's default target date arrangement.

AB are authorised and regulated by the Financial Conduct Authority.

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 5. Default Manager's ESG and Stewardship Statement

The investment manager has provided a statement on the extent to which they consider ESG within the offering. We include their response below. The Trustees have reviewed this statement and believe that it is a fair extension of the Trustees' own beliefs.

## AB ESG Statement

AB has long recognised that ESG issues can impact the performance of investments, and is committed to addressing these issues thoughtfully, responsibly and in a manner best aligned with the views of its clients.

AB's belief is that further steps can be taken to enhance the management of ESG risks, and the firm is committed to being at the forefront of addressing these issues. Consistent with Trustee requirements and as clarified by the Law Commission, this must be balanced with consideration to investment outcomes and cost to members of the Scheme.

## Integrating ESG Considerations into Investment Processes

AB's primary approach to managing ESG factors is through "Integration" - this is the bottom-up integration of ESG factors into its research and investment processes. AB believes that integration is important for identifying financially material investment risks as well as opportunities. This long-held belief led to AB becoming a signatory to the UN Principles for Responsible Investment (PRI) on 1 November 2011.

When researching and picking investments for its portfolios, AB's investment analysts carefully assess if ESG factors could have a material impact on forecasts and investment decisions. To assist in this process, AB also utilise a variety of other external data sources, such as third party ESG specialists, sell side research, Non-Government Organisation (NGO) articles, and industry body reports.

## Active Ownership of Assets

One key way in which AB implements the integration of ESG issues into the investments it manages on behalf of the Scheme is through its two-pronged approach to active asset ownership:

- They directly engage with equity and bond issuers as part of their research process to address ESG factors and seek to instil better practices in target companies; and
- They make use of the voting rights attached to particular investments. These votes are made in line with their in-house proxy voting policy, which incorporates ESG factors and they believe reflects the best long-term economic interests of their clients.

With respect to proxy voting, AB are steadfast supporters of proposals that encourage strong corporate governance structures, shareholder rights and transparency. This is evidenced by AB's voting record for the 2017 proxy season:

- AB voted on 98% of votes supporting shareholder rights;
- AB voted on 76% of votes for greenhouse-gas-emissions reporting and targets to be established by target company; and
- AB obtained a top 3 rank globally for aligning proxy votes with climate change mitigation (Source: Pension and Investments).

## Rewarding Better ESG Practices

In 2018, AB implemented a positive ESG 'tilt' within the AB Global Factor Fund, which the TDFs invest in. This tilt increases the investment in stocks with good ESG characteristics, and limits the investment to those with poor ESG characteristics.

AB's research to date has shown that this tilt is expected to reduce overall portfolio risk within the AB Global Factor Fund. This tilt has therefore enabled AB to reposition other assets within the TDFs to enhance long-term expected returns without increasing overall short-term risk. The nature of this tilt improved the overall portfolio's ESG characteristics across the broadest range of metrics possible. This action is part of an ongoing project for AB and, as their research develops, the size and nature of this tilt will be further refined.

### Considering ESG when Allocating to Third-Party Investment Managers

The DC strategies that AB manages on behalf of the Scheme primarily utilise a selection of third-party investment managers' funds to gain access to a broad range of underlying investments. As these underlying funds are predominantly passively managed and systematic approaches, the incorporation of active ESG consideration when making an investment and taking ownership is limited. Furthermore, as these funds and their investments are not managed by AB, the ability to incorporate their approach to ESG factors is also somewhat limited.

To address this, when selecting and appointing third-party investment managers, AB reviews shortlisted third party managers' UNPRI signatory status, ESG and ownership/stewardship policies, and proxy voting history to ensure that any appointed manager is as closely aligned to the polices of AB as possible. To monitor appointed third-party investment managers, AB performs regular ongoing due diligence requesting information and materials on a number of policies – including those on ESG and responsible investment. This process reviews polices and monitors changes to ensure that the appointment remains in the best interests of AB and its clients.

In 2018, as evidence of this process, AB's ongoing review resulted in an underlying manager change in favour of an investment manager where AB believed that the new manager had greater resources and capabilities to take a more active approach to asset ownership and engagement with equity and bond issuers.

### Excluding Investment in Controversial Weapons

Where the investments with AB allocate to their own Luxembourg-domiciled funds, such as the AB Global Factor Fund, they've restricted investments in companies that manufacture antipersonnel mines, cluster bombs and depleted uranium - consistent with the European ban on investing in companies associated with the production and/or distribution of controversial weapons.

Where the investments are managed by third party investment managers, there may not be an explicit exclusion of investments in companies associated with the production/distribution of controversial weapons. This is typically because of the passively managed (i.e. index following) approaches of these appointments. AB has started collating information of particular investment exclusions such as this for the current third-party investment manager appointments and will provide an update to the Trustee once this has been concluded. Of the responses currently received, only the underlying allocations managed by Amundi apply controversial weapon exclusions. AB will continue to work with external managers to encourage adoption of policies consistent with those of AB. To reflect this, AB has also integrated the request for exclusion information into its ongoing due diligence and manager selection processes going forward.

## 6. Fee agreements

The Trustee has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses may apply (covering legal, accounting and auditing fees and transaction costs for each fund). The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 7. Risks specific to this section

- Conversion risk – In the lifestyle arrangement made available to members, the investment manager increases the proportion of assets that are expected to be less volatile in order to try and provide more certainty to members when approaching retirement or accessing their retirement savings.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers when reviewing the investment arrangements.

# Appendix 2 – Vanguard Lifestyle

## 1. Investment objectives

The Trustees' main investment objectives are:

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

The Trustees are responsible for selecting the governed default investment option, and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

## 2. Default option

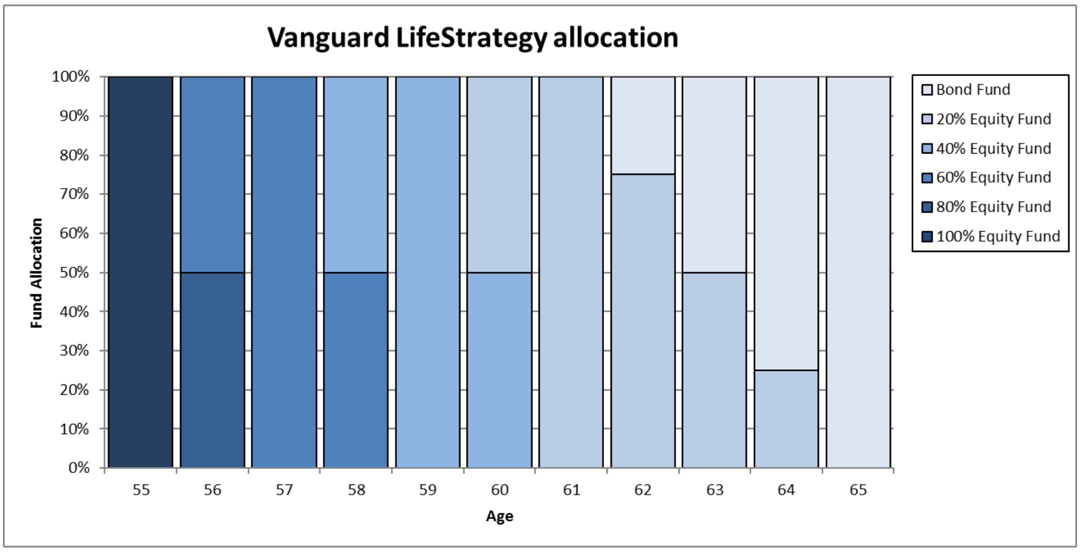
The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, the Trustees believe that the lifestyle arrangement set out below in Section three represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 7 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

# 3. Governed default strategy

A lifestyle arrangement provided by Vanguard (as shown below) represents an alternative governed default strategy for the Trust.

The Trustees believe it is suitable for members as a means of offering long-term growth (via blended equity funds) whilst reducing the risk taken within the last ten years prior to retirement (via the introduction of a short-dated corporate bond fund).




# 4. Choosing investments

The Trustees have appointed Vanguard to carry out the day-to-day investment management of the Trust's alternative default lifestyle arrangement.

Vanguard are authorised and regulated by the Financial Conduct Authority.

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 5. Manager's ESG and Stewardship Statement

The investment manager has provided a statement on the extent to which they consider ESG within the offering. We include their response below. The Trustees have reviewed this statement and believe that it is a fair extension of the Trustees' own beliefs.

## Policy overview

At Vanguard, our core purpose is to take a stand for all investors, treat them fairly and give them the best chance for investment success. To guide us in this mission, we rely on our core values of integrity, focus and stewardship in every decision we make. Vanguard's ownership structure in the United States means integrity is foundational to our character as an organisation. The Vanguard Group is owned by Vanguard's US-domiciled funds. Those funds, in turn, are owned by their investors. This unique mutual structure aligns our interests with those of our investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. Our long-term perspective and disciplined approach to investing puts our focus squarely on clients and the sustainable value of their investments. Our stewardship is reflected in a commitment to keep costs low and to protect our clients from undue risk. We believe responsible investment is inherently part of Vanguard's culture and is consistent with our fiduciary duty to manage investments in the best interest of clients.

Vanguard supports responsible investment by:

- Voting in support of proxy proposals that, in our view, will improve our clients' long-term investing outcomes.
- Advocating for responsible corporate governance, particularly with the companies in which we invest, as a driver of long-term value creation.
- Acting on material environmental, social and governance (ESG) opportunities or risks in our investments.

## Proxy voting

The most visible sign of Vanguard's engaged ownership is our funds' proxy voting at shareholder meetings. We have an experienced group of analysts on our Corporate Governance team that evaluates proposals and casts our funds' votes in accordance with our voting guidelines. Our guidelines are designed to promote long-term shareholder value by supporting good corporate governance practices. They frame the analysis of each proxy proposal, providing a basis for decision-making. In evaluating votes, the Corporate Governance team may consider information from many sources, including company management, shareholder groups and various research and data resources. We periodically review our voting guidelines to consider further developments in governance standards or risks to long-term shareholder value.

## Advocating through engagement

Our funds typically hold companies' stock for long periods of time, and in the case of index funds, we are near-permanent investors. We believe good corporate governance is key to helping these companies maximise returns over time, and we view effective management of environmental and social risks as an integrated component of good corporate governance practices. Significant analysis and effort are put into discussions with the directors and managers of the companies in which we invest; the level and frequency of these discussions may be influenced by the material impact to our funds and the contentiousness of the issue. We believe these engagements, more so than voting, provide an opportunity to fully understand issues and target feedback and messaging to companies.

We characterise our approach as "quiet diplomacy focused on results" – providing constructive input that will, in our view, better position companies to deliver sustainable value over the long term for all investors.

We have a well-established process for identifying governance risks in our portfolio companies.

Our key areas of focus for engagement include:

- A well-composed, independent, capable and experienced board.
- Governance structures that empower shareholders.
- Sensible compensation that incentivises long-term performance.

Furthermore, Vanguard promotes good corporate governance and responsible investment through thoughtful participation in industry events and discussions where we can expand our advocacy and enhance our understanding of investment issues. We also engage with index providers to understand the methodology, construction and maintenance of various equity indices. Finally, we actively contribute to the development of regulatory policy with other market stakeholders to raise standards and promote best practices around the globe.

## Acting on environmental, social and governance (ESG) opportunities and risks in our investments

### Fixed Income Group

Our actively managed fixed income mandates are supported by a global team of credit analysts that develops independent risk assessments and investment opinions for each fixed income issuer. The team seeks to understand the material implications of ESG risk as part of an overall independent risk assessment and to determine whether or not market pricing adequately reflects those risks. Focus is placed on consistently applying an ESG integration framework to our investment decision-making process and working with issuers to better understand risks and how improvements can be made to address them.

### Equity Investment Group

The majority of our global investments, including most of our equity mandates, seek to track an index. Index providers determine the benchmark constituents, which may not take into account ESG risk when selecting or retaining investments. Our global product line-up includes a number of funds designed to track indices that exclude companies that do not meet social responsibility criteria specified by the index provider.

### Portfolio Review

The Portfolio Review team is responsible for the ongoing oversight of our external managers, as many of our active funds use external advisers to manage investments. The team's manager search and oversight process focuses on understanding the drivers of investment performance and a firm's ability to sustain investment success over the long term. Multiple inputs are considered when assessing an investment manager, including the firm's culture, ethics and stability; the skill and depth of the investment team; the investment philosophy and process; and the firm's ability to implement its investment process while managing risk effectively. The team engages with our external investment managers periodically to review their practices to better understand how ESG factors inform the investment process. Additionally, we retain documentation of each manager's responsible investment or ESG policy to help monitor improvements, developments and changes over time.

### Oversight and disclosure

The integration of ESG in Vanguard's investment and engaged ownership practices is currently overseen by the Proxy Oversight Committee, which consists of our chief executive officer and select senior officers of Vanguard. Day-to-day management of ESG integration is supported by a cross-functional team representing those groups that regularly evaluate and address environmental, social and governance risks across our product line-up.

### Ongoing review of policies and practices

We will continue to adapt and evolve our approach to responsible investment as we uncover new risks and issues affecting our investments. Our policy, and other departmental guidelines and practices, will be revisited on a regular basis. Any updates will be disclosed on Vanguard's external website and through other relevant channels.

## 6. Fee agreements

The Sponsor has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses may apply (covering legal, accounting and auditing fees as well as transaction costs for each fund). The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

## 7. Risks specific to this section

- Conversion risk – In the lifestyle arrangement made available to members, the investment manager increases the proportion of assets that are expected to be less volatile in order to try and provide more certainty to members when accessing their retirement savings.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers when reviewing the investment arrangements.

# Appendix 3 - Quilter Cheviot Lifestyle

## 1. Investment objectives

The Trustees' main investment objectives are:

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

The Trustees are responsible for selecting the governed default investment option, and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

## 2. Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, the Trustees believe that the target date arrangement set out below in Section three represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 7 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

Furthermore, the Trustees believe that should the member wish to do so, the same arrangement used as a default drawdown post-retirement solution (represents an appropriate strategy for members in retirement who wish to use the Trust to act as a drawdown vehicle, taking into account the bullet points above. Further information on the Trustees' policies in regard to the above is detailed in the main body of this statement.

These aspects have also been considered in the choice of self-select funds that the Trust has made available to members who wish to choose their own investment strategy.

The Trustees acknowledge the uncertainty in choosing at outset the strategy that will deliver the best solution for particular members.

# 3. Lifestyle Strategy

A lifestyle arrangement provided by Quilter (as shown below) represents an alternative governed default strategy for the Trust. There are some slight variances between different employer subsections.

The Trustees believe it is suitable for members as a means of offering long-term growth (via blended equity funds) whilst reducing the risk taken within the last ten years prior to retirement (via the introduction of a short-dated corporate bond fund).

| Strategy | Age of Member |
|---|---|
| Growth | Up to 34 years old |
| Balanced | 35 to 54 years old |
| Defensive | 55 years and older |

# 4. Choosing investments

The Trustees have appointed Quilter to carry out the day-to-day investment management of the Trust's default target date arrangement.

Quilter Cheviot are authorised and regulated by the Financial Conduct Authority.

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 5. Manager's ESG and Stewardship Statement

As a responsible investor Quilter Cheviot is committed to its role as a steward of clients' assets in order to protect and enhance long-term returns. This encompasses our engagement with investee companies, through proxy voting and face to face dialogue, as well as taking into account environmental, social and governance (ESG) factors which could impact shareholder returns.

### Investor Stewardship

Quilter Cheviot aims to meet the challenges of a dynamic market environment to deliver the investment performance that provides its clients with the outcomes they require to meet their financial aspirations. In our capacity as an investment manager we act as steward for our clients' assets. Company shares usually carry voting rights and exercising these enables shareholders to express their view and engage with companies to support the creation of wealth, benefitting shareholders and the wider economy.

As a responsible investor we will use voting rights (where appropriate) in order to further the economic interests of our clients and we have established a set of voting principles which guide how we vote. Discretionary clients' holdings held in our nominee name will be voted in accordance with Quilter Cheviot's decision, as the voting of holdings is a reflection of our investment thesis. Should a conflict of interest arise which may influence us to not act fairly, independently or objectively in the interests of our clients, we will follow the voting recommendations of our third party proxy voting service provider.

In addition to voting we express our views and protect our clients' interests through direct dialogue with company management. Our central teams of equity and fund analysts provide a dedicated investment research resource with no conflicting commitments; along with investment managers the research team monitors investee companies on an ongoing basis and regularly meet company management

We recognise the UK Stewardship Code as best practice, which aims to enhance engagement between investors and companies.

### Environmental, social and governance (ESG) considerations

We recognise that in some circumstances ESG issues may impact a company's ability to pursue its business strategy and affect its financial performance. We therefore expect investee companies to identify and manage ESG risks and opportunities to the extent they affect their business strategy.

ESG issues may be broad and varied, but examples might include:

- Natural resource scarcity
- Waste and pollution
- Environmental regulation
- Labour relations
- Human rights
- Employee diversity
- Health and safety
- Corruption and bribery
- Business ethics
- Corporate governance

A growing number of companies manage ESG issues as part of their business as usual model in order to mitigate risk and maximise opportunity. Embracing ESG strategies may have both direct and indirect positive impacts on the financial performance of a company.

Direct impacts may be seen from the efficient use of material and energy resources, productivity improvements and process changes which can lead to reduced costs

Indirect gains are more difficult to measure, but are nonetheless important. These may include brand and reputational benefits of community engagement, which may in turn attract potential clients and employees and also encourage increased employee and client loyalty.

Integrating ESG considerations into our investment process helps us identify and understand potential risks and opportunities and ultimately protect, and possibly enhance, long term investment outcomes for our clients. When we meet company management we discuss a number of issues, and as appropriate, those relating to ESG issues.

# 6. Fee agreements

The Sponsor has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses may apply (covering legal, accounting and auditing fees as well as transaction costs for each fund). The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 7. Risks specific to this section

- Conversion risk – In the lifestyle arrangement made available to members, the investment manager increases the proportion of assets that are expected to be less volatile in order to try and provide more certainty to members when accessing their retirement savings.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers when reviewing the investment arrangements.

# Appendix 4 – Quilter Cheviot Lifestyle (Ex-FAPT)

## 1. Investment objectives

The Trustees' main investment objectives are:

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

The Trustees are responsible for selecting the governed default investment option, and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

## 2. Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, the Trustees believe that the target date arrangement set out below in Section three represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 7 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

Furthermore, the Trustees believe that should the member wish to do so, the same arrangement used as a default drawdown post-retirement solution (represents an appropriate strategy for members in retirement who wish to use the Trust to act as a drawdown vehicle, taking into account the bullet points above. Further information on the Trustees' policies in regard to the above is detailed in the main body of this statement.

These aspects have also been considered in the choice of self-select funds that the Trust has made available to members who wish to choose their own investment strategy.

The Trustees acknowledge the uncertainty in choosing at outset the strategy that will deliver the best solution for particular members.

## 3. Lifestyle Strategy

A lifestyle arrangement provided by Quilter (as shown below) represents an alternative governed default strategy for the Trust.

The Trustees believe it is suitable for members as a means of offering long-term growth (via blended equity funds) whilst reducing the risk taken within the last ten years prior to retirement (via the introduction of a short-dated corporate bond fund).

| Age | Growth | Balanced | Defensive |
|---|---|---|---|
| 16 - 45 | 100% | | |
| 46 - 55 | | 100% | |
| 56 | | 95% | 5% |
| 57 | | 90% | 10% |
| 58 | | 85% | 15% |
| 59 | | 80% | 20% |
| 60 | | 75% | 25% |
| 61 | | 70% | 30% |
| 62 | | 65% | 35% |
| 63 | | 60% | 40% |
| 64 | | 55% | 45% |
| 65 | | 50% | 50% |
| 66 | | 45% | 55% |
| 67 | | 40% | 60% |
| 68 | | 35% | 65% |
| 69 | | 30% | 70% |
| 70 | | 25% | 75% |
| 71 - 75 | | | 100% |

## 4. Choosing investments

The Trustees have appointed Quilter to carry out the day-to-day investment management of the Trust's default target date arrangement.

Quilter Cheviot are authorised and regulated by the Financial Conduct Authority.

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 5. Manager's ESG and Stewardship Statement

As a responsible investor Quilter Cheviot is committed to its role as a steward of clients' assets in order to protect and enhance long-term returns. This encompasses our engagement with investee companies, through proxy voting and face to face dialogue, as well as taking into account environmental, social and governance (ESG) factors which could impact shareholder returns.

### Investor Stewardship

Quilter Cheviot aims to meet the challenges of a dynamic market environment to deliver the investment performance that provides its clients with the outcomes they require to meet their financial aspirations. In our capacity as an investment manager we act as steward for our clients' assets. Company shares usually carry voting rights and exercising these enables shareholders to express their view and engage with companies to support the creation of wealth, benefitting shareholders and the wider economy.

As a responsible investor we will use voting rights (where appropriate) in order to further the economic interests of our clients and we have established a set of voting principles which guide how we vote. Discretionary clients' holdings held in our nominee name will be voted in accordance with Quilter Cheviot's decision, as the voting of holdings is a reflection of our investment thesis. Should a conflict of interest arise which may influence us to not act fairly, independently or objectively in the interests of our clients, we will follow the voting recommendations of our third party proxy voting service provider.

In addition to voting we express our views and protect our clients' interests through direct dialogue with company management. Our central teams of equity and fund analysts provide a dedicated investment research resource with no conflicting commitments; along with investment managers the research team monitors investee companies on an ongoing basis and regularly meet company management

We recognise the UK Stewardship Code as best practice, which aims to enhance engagement between investors and companies.

### Environmental, social and governance (ESG) considerations

We recognise that in some circumstances ESG issues may impact a company's ability to pursue its business strategy and affect its financial performance. We therefore expect investee companies to identify and manage ESG risks and opportunities to the extent they affect their business strategy.

ESG issues may be broad and varied, but examples might include:

- Natural resource scarcity
- Waste and pollution
- Environmental regulation
- Labour relations
- Human rights
- Employee diversity
- Health and safety
- Corruption and bribery
- Business ethics
- Corporate governance

A growing number of companies manage ESG issues as part of their business as usual model in order to mitigate risk and maximise opportunity. Embracing ESG strategies may have both direct and indirect positive impacts on the financial performance of a company.

Direct impacts may be seen from the efficient use of material and energy resources, productivity improvements and process changes which can lead to reduced costs

Indirect gains are more difficult to measure, but are nonetheless important. These may include brand and reputational benefits of community engagement, which may in turn attract potential clients and employees and also encourage increased employee and client loyalty.

Integrating ESG considerations into our investment process helps us identify and understand potential risks and opportunities and ultimately protect, and possibly enhance, long term investment outcomes for our clients. When we meet company management we discuss a number of issues, and as appropriate, those relating to ESG issues.

# 6. Fee agreements

The Sponsor has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses may apply (covering legal, accounting and auditing fees as well as transaction costs for each fund). The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 7. Risks specific to this section

- Conversion risk – In the lifestyle arrangement made available to members, the investment manager increases the proportion of assets that are expected to be less volatile in order to try and provide more certainty to members when accessing their retirement savings.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers when reviewing the investment arrangements.

# Appendix 5 – Aegon Blackrock Target Date Fund

## 1. Investment objectives

The Trustees' main investment objectives are:

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

The Trustees are responsible for selecting the governed default investment option, and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

## 2. Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, the Trustees believe that the target date arrangement set out below in Section three represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 7 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

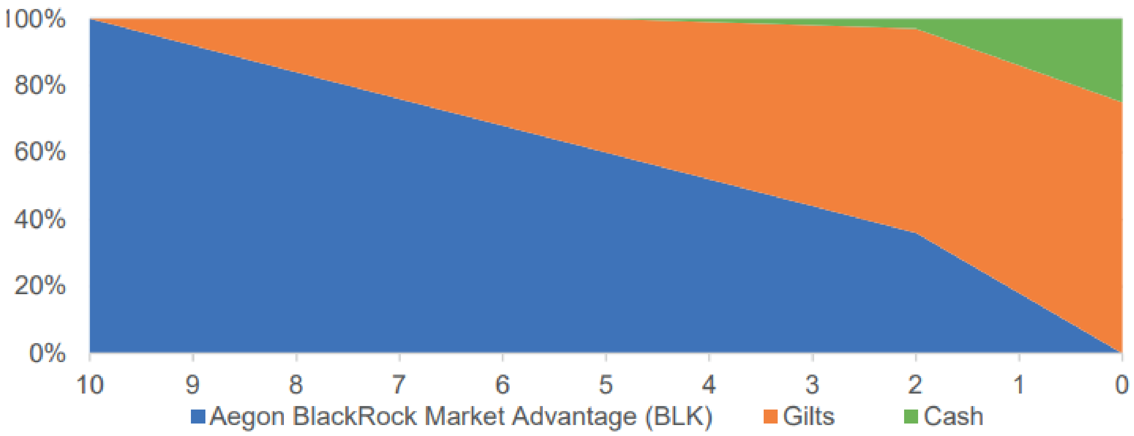
Furthermore, the Trustees believe that should the member wish to do so, the same arrangement used as a default drawdown post-retirement solution (represents an appropriate strategy for members in retirement who wish to use the Trust to act as a drawdown vehicle, taking into account the bullet points above. Further information on the Trustees' policies in regard to the above is detailed in the main body of this statement.

These aspects have also been considered in the choice of self-select funds that the Trust has made available to members who wish to choose their own investment strategy.

The Trustees acknowledge the uncertainty in choosing at outset the strategy that will deliver the best solution for particular members.

# 3. Governed default strategy

A target date fund arrangement (DC Lifepath Funds) provided by Aegon Blackrock has been made available as an alternative default. Members will be placed in an age appropriate Target Date Fund selected according to their expected retirement age. Older members are currently in a variation of these target date funds as it was deemed inappropriate to move them to the new style. The standard glidepath is shown below.


As shown in the diagram above, the fund remains in existence after a member's target date of retirement, allowing the arrangement to be used for income drawdown. The Trustees consider that the funds are suitable to be used as a drawdown arrangement.

# 4. Choosing investments

The Trustees have appointed Aegon Blackrock to carry out the day-to-day investment management of the Trust's default target date arrangement.

Aegon Blackrock are authorised and regulated by the Financial Conduct Authority.

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 5. Manager's ESG and Stewardship Statement

The investment manager has provided a statement on the extent to which they consider ESG within the offering. We include their response below. The Trustees have reviewed this statement and believe that it is a fair extension of the Trustees' own beliefs.

We are an asset manager whose mission is to create better financial futures for our clients. We aspire to be an industry leader in how we incorporate sustainability into our investment processes and learning across the firm, our stewardship of our clients' assets, our sustainable investment solutions offered to our clients, and the operations of our own business. Detailed information about these efforts is included in our approach to sustainability on blackrock.com.

This statement details our commitment to integrate sustainability insights—often referred to as ESG, or environmental, social and governance, insights—into our investment processes. It explains our ESG integration philosophy, discusses the roles and responsibilities for ESG integration work and the governance structure for these activities, and provides an overview of our approach to ESG integration. This statement applies to all investment divisions and investment teams at the firm, and therefore applies to all assets under management and assets under advisory. The statement is reviewed at least annually and is updated when necessary to reflect changes to our approach or our business.

### BlackRock's ESG integration philosophy

At BlackRock, we define ESG integration as the practice of incorporating material environmental, social, and governance (ESG) information into investment decisions in order to enhance risk adjusted returns. Some of our clients call this responsible investing - to us, integrating ESG information, or sustainability considerations, should be part of any robust investment process and means adapting our research and core investment processes to account for additional sources of risk and return that are explained by ESG information. ESG integration is relevant for all asset classes and styles of portfolio management, public and private markets, and alpha seeking and index strategies. For index strategies, where BlackRock portfolios aim to track the benchmark index, our engagement with portfolio companies is the mechanism by which we can integrate sustainability insights consistent with our fiduciary role as a long-term investor. In alpha-seeking strategies, we can use ESG information when conducting research and due diligence on new investments, and again when monitoring investments in a portfolio. Of course, ESG information is not the sole consideration for our investment decisions; instead, the firm's investment professionals assess a variety of economic and financial indicators, which can include ESG issues, to make investment decisions appropriate for our clients' objectives. Our approach to ESG integration is to broaden the total amount of information our investment professionals consider in order to improve investment analysis, seeking to meet or exceed economic return and financial risk targets.

### Who is responsible for ESG integration at BlackRock

At BlackRock, the people responsible for investment decisions are also responsible for integrating ESG information into the investment analysis that supports those decisions. Including ESG information in our analysis of long-term economic scenarios, secular trends, and industry disruptions helps us better orient investment decisions for our clients, most of whom are investing to meet long-term goals such as retirement. Examining material ESG exposures and sustainability performance allows us to identify additional sources of risk and return, and in understanding those sources of risk, we can better value investments. In short, ESG integration is wise investing.

BlackRock employs dedicated resources to support sustainable investing. The BlackRock Sustainable Investing team, the BlackRock Investment Stewardship team, and individuals across BlackRock's technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts. The Sustainable Investing team seeks to ensure consistency across investment processes, aggregates resources and shares best practices across the firm to help our investment teams integrate material sustainability considerations. BlackRock Sustainable Investing reports on ESG integration progress across investment teams to the Global Executive Committee Investment Sub-Committee at least annually.

In addition, BlackRock investment groups have identified individuals to determine methodologies and processes that are appropriate for their respective teams. Content experts from investment divisions and from BlackRock Sustainable Investing provide insight on ESG integration approaches and data sources most relevant to the asset class and style of portfolio management. Investment division operational leads advocate for process improvement and progress over time within their business units.


## BlackRock's ESG integration oversight and governance

BlackRock's Chief Executive Officer and Chairman of the Board is a public proponent of long-term investing, and routinely communicates the value of sustainable investing, investment stewardship, and corporate ESG disclosure.

The Global Head of BlackRock Sustainable Investing oversees the firm's achievement of its sustainable investment objectives on behalf of our clients, including setting sustainable investment standards and procedures and governing their execution.

The Sustainable Investing Team implements the firm's sustainable investment standards and procedures, seeks to ensure consistency and quality in the firm's sustainable investment products and solutions, and coordinates the firm-wide effort to incorporate ESG into all investment processes.

Investment group leadership, including heads of sustainable and responsible investment within investment divisions, oversees ESG integration into the investment processes for their respective businesses.

The Investment Sub-Committee of BlackRock's Global Executive Committee oversees investment process consistency across the firm's investment groups. Members of the Sub-Committee include the global heads or sponsors of all of BlackRock's major investment verticals: ETFs and Index Investments, Global Fixed Income, Active Equities, Multi-Asset Strategies, BlackRock Alternative Investors, Trading & Liquidity Strategies including Cash Management, and Client Portfolio Solutions.

### How we approach ESG integration at BlackRock

BlackRock has a consistent yet flexible framework for ESG integration into the investment process. This framework allows for cohesion with the firm's overall ESG integration efforts, while permitting a diversity of approaches across different investment teams. ESG considerations that are material will vary by client objectives, investment style, sector, and market trends.

ESG data are an important source from which BlackRock investment teams derive research and investment insights. Across equity, fixed income, multi-asset, liquidity, and alternative asset classes, and also in our asset allocation and manager selection advisory business, we integrate material ESG information into our investment processes to understand sources of risk and returns. Our goal is to construct portfolios that deliver exposures and outcomes consistent with our clients' objectives. We incorporate sustainability insights and ESG information into our research in pursuit of enhancing returns – especially over the long-term. BlackRock investors carefully consider external and proprietary ESG research from a variety of sources, and we use BlackRock technology and tools to support this integration. We do not make investment decisions based on ESG information in isolation; instead, we assess a variety of economic factors, including risk and valuation metrics, when building and monitoring portfolios.

Fundamental investment teams, when appropriate with the BlackRock Investment Stewardship team, meet with company leadership, project sponsors, and other entities to support investment research, including of material sustainability issues. Systematic investors and index portfolio engineers rely on the BlackRock Investment Stewardship team to conduct engagements with portfolio companies to drive the implementation and oversight of best practices in material sustainability areas to support long-term financial performance.

### How data and tools support ESG integration at BlackRock

We use the scale of our investment platform and our proprietary technology to support sophisticated approaches to measuring and assessing sustainability-related risks and opportunities. Our investment teams develop views on the materiality of specific sustainability related topics by using ESG data from multiple external providers as well as proprietary research sources. BlackRock has integrated issuer-level ESG data into our internal risk management system, Aladdin, which BlackRock investors use to make investment decisions and to monitor portfolios. This allows portfolio managers using Aladdin technology to efficiently access ESG information for investment analysis and portfolio construction.

## 6. Fee agreements

The Sponsor has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses may apply (covering legal, accounting and auditing fees as well as transaction costs for each fund). The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 7. Risks specific to this section

- Conversion risk – In the lifestyle arrangement made available to members, the investment manager increases the proportion of assets that are expected to be less volatile in order to try and provide more certainty to members when accessing their retirement savings.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers when reviewing the investment arrangements.

# Appendix 6 - Shariah Lifestyle

## 1. Investment objectives

The specific objective of this solution is to provide a Shariah compliant lifestyle solution. Beyond this the standard objectives apply

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

## 1. Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single default investment option that will be suitable for all. However, the Trustees believe that the lifestyle arrangement set out below in Section three represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested other than requiring a Shariah complaint solution.,

## 2. Glidepath Strategy

The Trustees, having taken advice from their investment advisors, have implemented the following Shariah compliant solution. Members move gradually between the two states listed below.

| Period | Investment |
|---|---|
| **10+ Years From Retirement** | HSBC Amanah Fund |
| **At Retirement** | 20% Amanah Fund, 80% Shariah Compliant Cash |

## 3. Choosing investments

The Trustees have selected the funds themselves, after taking advice from their investment advisors. The trustees have taken ultimate responsibility for the ongoing suitability of the lifestyle.

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 4. ESG and Financially Material considerations.

As this is a Shariah Fund we believe we have strong reason to believe all members invested will have ethical views aligned with the views of the Shariah Council who determines suitable investments for the fund. While the Trustees maintain responsibility, the Trustees rely on the guidance of the Shariah Council for the determination of Shariah compliant investments.

# 5. Fee agreements

The Sponsor has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses may apply (covering legal, accounting and auditing fees as well as transaction costs for each fund). The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 6. Risks specific to this section

- Conversion risk – In the lifestyle arrangement made available to members, the investment manager increases the proportion of assets that are expected to be less volatile in order to try and provide more certainty to members when accessing their retirement savings.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers when reviewing the investment arrangements.

# Appendix 7a - Investment policy for adviser London & Capital Asset Management Limited

This appendix is for the section of the Trust advised by London & Capital Asset Management Limited. The Trustees have taken advice from London & Capital Asset Management Limited on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by London & Capital Asset Management Limited, in respect of the funds put forward are:

- To deliver long term investment returns through a combination of capital appreciation and income, consistent with the client's risk profile.

The Trustees are responsible for selecting the default investment option and for choosing which funds to make available to members having taken advice from London & Capital Asset Management Limited in relation to this fund range. Members are responsible for their own choice of investment options.

## 2. Fund options

Having taken advice from London & Capital Asset Management Limited, the Trustees have decided to offer the range of funds set out in part 3 of this Appendix. London & Capital Asset Management Limited has determined this fund range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

## 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- London & Capital Asset Management Limited

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select funds is shown below:

- London & Capital Global Star Equity Fund;
- London & Capital Defensive Equity Fund;
- London & Capital Global Conservative Fixed Interest Income Fund;
- London & Capital Balanced Fixed Income Fund;
- London & Capital Global Growth Fixed Income Fund
- London & Capital UK Star Equity Fund;
- London & Capital Emerging Markets Equity

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

## 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees as well as transaction costs) for each fund. The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

## 5. Risks specific to this section

- Conversion risk – in terms of the risk in the period just prior to retirement, this is not directly monitored by London & Capital Asset Management Limited. The Pension Provider should advise London & Capital Asset Management Limited to move pension beneficiaries down the spectrum of risk rated models on offer as the beneficiaries ability to take risk diminishes.
- Concentration risk – The Investment Manager, London & Capital Asset Management Limited seeks to build portfolios to diversify risk and avoid concentration in single securities, asset classes, markets, or issuers.
- Liquidity – The Investment Manager, London & Capital Asset Management Limited builds portfolios invested in daily traded liquid UCIT's Funds, where the underlying holdings are traded on liquid markets.
- Currency risks are minimised by investing in UCIT's Funds that are hedged back to the desired base currency. Inflation risk and credit risk are minimised by portfolio diversification.

# Appendix 7b - Investment policy for adviser Merlyn Wealth Management

This appendix is for the section of the Trust advised by Merlyn Wealth Management. The Trustees have taken advice from Merlyn Wealth Management on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by Merlyn Wealth Management, in respect of the funds put forward are:

- To offer a choice of non sharia investment portfolios with a range of risk profiles to employees with regards to their Pension plan.

The Trustees are responsible for selecting the default investment option and for choosing which funds to make available to members having taken advice from Merlyn Wealth Management in relation to this fund range. Members are responsible for their own choice of investment options.

## 2. Fund options

Having taken advice from Merlyn Wealth Management, the Trustees have decided to offer the range of funds set out in part 3 of this Appendix. Merlyn Wealth Management have determined this fund range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

## 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- Seven Investment Management LLP

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select funds is shown below:

- 7IM Glidepath Models (Default)
- AAP Moderately Cautious (self select)
- AAP Balanced (self select)
- AAP Moderately Adventurous (self select)
- AAP Adventurous (self select)

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees as well as transaction costs) for each fund. The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 5. Risks specific to this section

Investment risk can be defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

# Appendix 7c - Investment policy for adviser Edgmoor Financial Planners

This appendix is for the section of the Trust advised by Edgmoor Financial Planners. The Trustees have taken advice from Edgmoor Financial Planners on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by Edgmoor Financial Planners, in respect of the funds put forward are:

- To offer members a range of professionally managed funds
- To offer funds which are managed to a specific level of investment risk.
- To provide access to a range of funds which invest across the various asset classes and provide a high degree of diversification.

The Trustees are responsible for selecting the default investment option and for choosing which funds to make available to members having taken advice from Edgmoor Financial Planners in relation to this fund range. Members are responsible for their own choice of investment options.

## 2. Fund options

Having taken advice from Edgmoor Financial Planners, the Trustees have decided to offer the range of funds set out in part 3 of this Appendix. Edgmoor Financial Planners have determined this fund range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

## 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- Seven Investment Management LLP

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select funds is shown below:

- 7IM Glidepath Models (Default)
- AAP Moderately Cautious (self select)
- AAP Balanced (self select)
- AAP Moderately Adventurous (self select)
- AAP Adventurous (self select)

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

## 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees as well as transaction costs) for each fund. The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

## 5. Risks specific to this section

- Investment manager risk – the possibility that the chosen investment manager underperforms over a period of time.
- Currency risk – Investments into assets held overseas are subject to additional risk due to the conversion from Sterling to local currency and vice versa.

# Appendix 7d - Investment policy for adviser Pearson Solicitors and Financial Advisors LLP

This appendix is for the section of the Trust advised by Pearson Solicitors and Financial Advisors LLP. The Trustees have taken advice from Pearson Solicitors and Financial Advisors LLP on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by Pearson Solicitors and Financial Advisors LLP, in respect of the funds put forward are:

- To provide a suitably governed default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- To offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- To help maximise member outcomes
- To manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- To help reduce the risk of the assets failing to meet projected retirement income levels.

The Trustees are responsible for selecting the default investment option and for choosing which funds to make available to members having taken advice from Pearson Solicitors and Financial Advisors LLP in relation to this fund range. Members are responsible for their own choice of investment options.

## 2. Fund options

Having taken advice from Pearson Solicitors and Financial Advisors LLP, the Trustees have decided to offer the range of funds set out in part 3 of this Appendix. Pearson Solicitors and Financial Advisors LLP have determined this fund range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

# 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- Seven Investment Management LLP

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select funds is shown below:

- 7IM Glidepath Models (Default)
- AAP Moderately Cautious (self select)
- AAP Balanced (self select)
- AAP Moderately Adventurous (self select)
- AAP Adventurous (self select)

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees as well as transaction costs) for each fund. The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

# 5. Risks specific to this section

- Conversion risk – The experienced investment manager is expected to manage the default lifestyle strategies to reduce the volatility of the assets as members near retirement.
- Concentration risk – The experienced investment manager is expected to manage a range of diversified, actively managed, multi asset, structured portfolios to reflect long term investment themes.
- Liquidity – The investment manager will carry out detailed research on any fund in which they invest, both initially and ongoing, to ensure appropriate liquidity in the portfolios. Ongoing

monitoring of all settlement commitments are undertaken on a daily basis to ensure appropriate funding levels and the investment managers maintain a liquidity risk management framework, which is designed to ensure sufficient funding for its ongoing business.

# Appendix 7e - Investment policy for adviser EightFourTwo (Vigilance Properties)

This appendix is for the section of the Trust advised by EightFourTwo (Vigilance Properties). The Trustees have taken advice from EightFourTwo (Vigilance Properties) on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by EightFourTwo (Vigilance Properties), in respect of the funds put forward are:

- to provide a suitably governed default investment option that is likely to be appropriate for a typical member;
- to manage the investment volatility and stability of the value of the member's pension pots over time;
- to provide alternative investment options so that members with differing investment objectives can make their own investment decisions;
- offer members a diversified exposure to global financial markets;
- offer a range of diverse investment strategies with a risk spectrum of very low to high risk;
- investment options which provide flexibility to switch seamlessly between strategies should a member's circumstances or risk appetite change;

The Trustees are responsible for selecting the default investment option and for choosing which funds to make available to members having taken advice from EightFourTwo (Vigilance Properties) in relation to this fund range. Members are responsible for their own choice of investment options.

## 2. Fund options

Having taken advice from EightFourTwo (Vigilance Properties), the Trustees have decided to offer the range of funds set out in part 3 of this Appendix. EightFourTwo (Vigilance Properties) have determined this fund range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

# 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- Quilter Cheviot MPS

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select funds is shown below:

- Growth MPS
- Balanced MPS
- Conservative MPS
- Cautious MPS
- Adventurous MPS
- Global Income MPS
- Income MPS
- Absolute Focus MPS
- Conservative IDX
- Income IDX
- Balanced IDX
- Growth IDX

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

# 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, and auditing fees as well as transaction costs) for each fund. The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

## 5. Risks specific to this section

- Conversion risk – The experienced investment manager is expected to manage the default lifestyle strategies to reduce the volatility of the assets as members near retirement.
- Concentration risk – The experienced investment manager is expected to manage a range of diversified, actively managed, multi asset, structured portfolios to reflect long term investment themes.
- Liquidity – The investment manager will carry out detailed research on any fund in which they invest, both initially and ongoing, to ensure appropriate liquidity in the portfolios. Ongoing monitoring of all settlement commitments are undertaken on a daily basis to ensure appropriate funding levels and the investment managers maintain a liquidity risk management framework, which is designed to ensure sufficient funding for its ongoing business.

# Appendix 7f - Investment policy for adviser 2mi Financial Services Limited

This appendix is for the section of the Trust advised by 2mi Financial Services Limited. The Trustees have taken advice from 2mi Financial Services Limited on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by 2mi Financial Services Limited, in respect of the funds put forward are:

- to provide an additional choice of funds to the default investment option that is likely to be appropriate for a typical member who may not know how they will access their retirement savings;
- to help maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to help reduce the risk of the assets failing to meet projected retirement income levels.

Specific investment objectives for the additional choice of funds are:

- Old Mutual - Creation Conservative Portfolio: To achieve long-term capital growth with a maximum volatility of 7%.
- Old Mutual - Creation Balanced Portfolio: To achieve long-term capital growth with a maximum volatility of 10%
- Old Mutual - Creation Moderate Portfolio: To achieve long-term capital growth with a maximum volatility of 13%.
- Old Mutual - Creation Dynamic Portfolio: To achieve long-term capital growth with a maximum volatility of 16%
- Old Mutual - Creation Adventurous Portfolio: To achieve long-term capital growth by investing in a diversified range of asset classes.

The Trustees are responsible for selecting the additional choice of funds, as advised by 2mi Financial Services Limited, and for choosing which funds to make available to members having taken advice from 2mi Financial Services Limited in relation to this fund range.

## 2. Fund options

Having taken advice from 2mi Financial Services Limited, the Trustees have decided to offer the range of funds set out in part 3 of this Appendix. 2mi Financial Services Limited have determined this fund range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments

- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

## 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- Old Mutual Wealth Global Investors (UK) Limited

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select funds is shown below:

- Old Mutual - Creation Conservative Portfolio (formerly known as Old Mutual Spectrum 3)
- Old Mutual - Creation Balanced Portfolio (formerly known as Old Mutual Spectrum 4)
- Old Mutual - Creation Moderate Portfolio (formerly known as Old Mutual Spectrum 6 but also includes the funds formerly known as Old Mutual Spectrum 5)
- Old Mutual - Creation Dynamic Portfolio (formerly known as Old Mutual Spectrum 7 but also includes the funds formerly known as Old Mutual Spectrum 8)
- Old Mutual - Creation Adventurous Portfolio (launched on 3 July 2017)

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

## 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees as well as transaction costs) for each fund. The additional fund expenses may vary from time to time although the funds noted in part 3 of this appendix have fixed charges and will be subject to six months prior notice of any changes.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

## 5. Risks specific to this section

- Conversion risk – the investment manager increases and decreases the asset allocation in order
  to meet volatility levels in line with each of the portfolios' objectives.
- Concentration risk - The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity – The Trustees have considered the risk of liquidity in the default section and given the nature of the investments do not have any concerns currently. The Trustees will look to reassess this with their professional advisers, 2mi Financial Services Limited, when reviewing the investment arrangements.

# Appendix 7g - Investment policy for adviser J Illingworth & Co Ltd

This appendix is for the section of the Trust advised by J Illingworth & Co Ltd. The Trustees have taken advice from J Illingworth & Co Ltd on the suitability of the investment options put forward who they consider to be suitably qualified and experienced for this role.

## 1. Investment objectives

The Trustees' main investment objectives, as advised by J Illingworth & Co Ltd, in respect of the portfolios* put forward are:

- Defensive portfolio: Seeks to generate modest returns higher than cash in the bank over the medium term with potential for consistent though constrained capital growth.
- Cautious portfolio: seeks to generate modest capital growth higher than bond based returns over the short to medium term.
- Balanced portfolio: seeks to generate capital growth over the medium to longer term with the aim of riding out short term fluctuations in value.
- Growth portfolio: seeks to generate higher capital growth over the medium to long term by employing a more dynamic investment strategy.
- Adventurous portfolio: seeks to generate strong capital growth over the longer term and can experience frequent and high levels of volatility.
- Ethical portfolios: risk graded as above but comprising of socially responsible investments whose managers aim to outperform their respective markets
- Sharia portfolios: risk graded as above but comprising of Sharia-compliant investments whose managers aim to outperform their respective markets

The Trustees are responsible for selecting the default investment option and for choosing which portfolios to make available to members having taken advice from J Illingworth & Co Ltd in relation to this portfolio range. Members are responsible for their own choice of investment options.

## 2. Fund options

Having taken advice from J Illingworth & Co Ltd, the Trustees have decided to offer the range of portfolios set out in part 3 of this Appendix. J Illingworth & Co Ltd have determined this portfolio range as being appropriate for the specific needs of members it has provided advice to taking into account:

- Kinds of investments to be held
- Balance between different kinds of investments
- Investment risks (as per the main body of this statement and part 5 of this appendix)
- Expected return on investments
- Realisation of investments
- Socially Responsible Investment, Corporate Governance and Voting Rights

## 3. Choosing investments

The Trustees have appointed an investment manager to carry out the day-to-day investment of this section of the Trust. For this section, as at the date of this statement, the underlying managers were:

- TAM Asset Management Ltd

The investment managers are authorised and regulated by the Financial Conduct Authority.

A list of the core self-select portfolios is shown below:

- TAM Focus Defensive, Cautious, Balanced, Growth and Adventurous portfolios
- TAM Ethical Defensive, Cautious, Balanced, Growth and Adventurous portfolios
- TAM Sharia Defensive, Cautious, Balanced, Growth and Adventurous portfolios

The Trustees review the appropriateness of the Trust's investment options on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

## 4. Fee agreements

The investment adviser to the Trustees has negotiated fee arrangements with the investment managers for the management of this section of the Trust's investments, which must be acceptable to the Trustees.

As well as the annual management charges, additional fund expenses will apply (covering legal, accounting and auditing fees as well as transaction costs) for each fund. The additional fund expenses will vary from quarter to quarter.

The Trustees monitor the overall level of costs periodically to ensure members are receiving good value for money.

## 5. Risks specific to this section

### General investment risk

The allocation to investments will vary in individual risk levels but as a combined portfolio they are constructed to balance each other out and meet the mandated risk profile. Investments within portfolios may go down as well as up and the trust may therefore not get back the full amount invested. Any income derived from the trust's investments can also go down. Risk, even within specific investments, may alter over time and whilst every effort is made to fit appropriate investments with specific risk profiles no guarantees can be made. Past performance is not necessarily a guide to future returns and that there is always the possibility that the trust may receive back less than your original investment.

### Alternative investments

The long-term nature of the investment profiling and the need to seek to provide long term consistent returns has resulted in our managers including, on occasions, an element of alternative investment funds within portfolios which will have a total return bias. A total return bias is when funds follow strategies aimed at either reducing portfolio risk or profiting from markets irrespective of their direction. Funds in this asset class can invest in absolute return, property and commodities, and as such are often considered in isolation as of a higher risk category, but the diversification and nature of the investments chosen will not significantly increase the risk levels of the overall portfolio. Indeed, in many instances the risk exposure may be moderated by this asset class diversification.

### Foreign currency

Some of our underlying investments are denominated in currency/currencies which will be different to the trust's domestic currency. This increases the risk that movement in exchange rates may affect the returns the trust may receive from the investment.

### Risk profiling

We have been advised as to the appropriate risk level to apply to this portfolio by the trust's financial adviser. This report has been created based on this instruction and TAM can take no responsibility for confirming the correctness of the risk classification advised.

### Financial advice

TAM is a provider of Discretionary Investment Management Services to clients via regulated intermediaries. We are solely responsible for the management of an investment portfolio within the risk parameters agreed. TAM does not provide financial or investment advice either in relation to the trust's overall financial situation, or to the structuring of the vehicle through which its investments are made. This area of expertise remains solely with the trust's financial adviser and TAM is not responsible for any advice given as to the tax efficiency or otherwise of any packaged product ultimately utilised for these investments.

### Concentration risk

We apply strict exposure limits to each of our portfolios ensuring we remain fully diversified by asset class, fund, fund manager and counterpart. We also have firm limits on how much exposure we can assume outside of a portfolio base currency or geographical Passive.

### Liquidity risk

Typically, portfolios can be liquidated within several days, though it may take several days after that for the trust to receive its proceeds. However, some less liquid asset classes like property funds may at times (though uncommon), temporarily suspend trading. Typically, investment in property funds only represent a relatively small part of our overall portfolios, and whilst suspension of such funds is rare, the trust may not always be able to liquidate these holdings when it may like to. Where TAM decide to invest in less liquid investments, we do our best to weigh the potential benefits against possible consequences and likelihood of such consequences occurring.

### Inflation risk

The risk that investments do not provide a return in line with inflation.

# Document Change/Revision Record

| Date | Version | Stage | Comments | Reviewer |
|---|---|---|---|---|
| Jun 17 | V1 | Creation | Initial Draft | Trustees |
| Sep 19 | V2 | Update | ESG, Stewardship and Financially material considerations Policies Updated, Default List Updated, ESG policies for defaults added | Trustees |