GE Pension Plan

Statement of Investment Principles for the DC Section of the Plan

Introduction

The law requires the Trustee Directors to a produce formal "Statement of Investment Principles" for the Plan's default arrangement and its other investment options. These Statements set out what the Trustee Directors aim to achieve with the investment options and its investment policies which guide how members' money is invested.

This document is a compendium of the Statements of Investment Principles for the DC Section of the GE Pension Plan (the "Plan"). These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Plan's Auditors which, as far as possible, are shown separately in "for the record" boxes.

The Trustee Directors will publish the Statements of Investment Principles from 1 October 2019 and a statement each year from 1 October 2020 describing how these Statements have been followed in the last year.

Statements of Investment Principles

The Trustee Directors' Statements of Investment Principles for the DC Section contained in this document include the:

1 Statement of the aims and objectives for the default arrangement*;

2 Statement of the aims and objectives for investment options outside the default arrangement*; and

3 Statement of investment beliefs, risks and policies**.

The Statement of Investment Principles for the Plan ** comprises items 1, 2 and 3. The Statement of Investment Principles for the Plan's default arrangement *** comprises items 1 and 3.

Appendices

A. Investment implementation for the default arrangement;

B. Investment implementation for the investment options outside the default arrangement;

C. Summary of the approach to investment governance; and

D. Summary of the Plan's service providers.

For the record

* In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

** In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

*** As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015

The Trustee Directors have taken proper written advice and consulted the principal sponsor of the Scheme (GEH Holdings) in the preparation of these Statements of investment Principles. These Statements will be reviewed by the Trustee Directors at least every three years or more frequently as required by the Regulations.

For and on behalf of the Trustee Directors of the Plan

Name	Signed	Date
Mark Elborne	ME	29 September 2021

1 Statement of the aims and objectives for the default arrangement

Reasons for the Default Arrangement

As the holdings in the Plan's DC and AVC arrangements are not designated as qualifying workplace pension schemes, there is no requirement to have a default arrangement in place.

However, in order to assist members who do not feel they are able to or wish to select funds in which to invest their pension contributions, the Trustee Directors have put in place a "lifestyle" arrangement as a default option for members. The lifestyle arrangement invests member contributions in accordance with a pre-determined asset allocation that aims to provide long-term growth with automatic switching taking place as the member approaches retirement. The Trustee Directors consider that this lifestyle arrangement is appropriate as a default option for Plan members.

The Trustee Directors have decided that the Plan should have a default investment arrangement because:

- It should be easy to become a member of the Plan and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Plan's members are expected to have broadly similar investment needs.

Choosing the default arrangement

The Trustee Directors believe that understanding the Plan's membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The Trustee Directors have taken into account a number of aspects of the Plan's membership including:

- The members' ages and salary profiles;
- The likely sizes of members' DC pension funds at retirement; and
- Members' likely benefit choices at and into retirement.

Objectives for the default arrangement

The main objective of the default arrangement is to provide good member outcomes at retirement by providing, on a defined contribution basis, benefits for members on their retirement or benefits for their dependants on death before or after retirement. The Trustee Directors believe that it is in the best interests of the majority of members to offer a default which:

- Manages the principal investment risks members face during their membership of the Plan;
- Maximises investment returns relative to inflation while taking an appropriate level of risk during membership of the Plan for the majority of members who do not make investment choices; and
- Reflects members' likely benefit choices at retirement.

The default arrangement

The default arrangement is therefore a lifestyle strategy (targeting cash at retirement, see Appendix A) which:

- Gradually moves investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Plan; and
- Targets members who are expected to take cash at retirement.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee Directors' objectives for the default arrangement. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current default arrangement are given in Appendix A ("Investment implementation for the default arrangement").

Inadvertent or temporary Default Arrangements

From time to time the fund manager may suspend trading in a fund due to market conditions or decide to close a fund commercial or regulatory reasons. This would be outside the Trustees' control.

Should these circumstances occur, it may be necessary for the Trustees to redirect contributions to an investment option which differs from some members' original choice. The Trustees will ensure that any alternative investment option adopted in this manner is consistent with the charge cap for default arrangements.

For example, in the event that buying or selling units in a fund chosen by members is suspended for any reason, the Trustees may decide that it is in the members' best interests to temporarily redirect contributions to another investment option. Once such as suspension has been resolved, the Trustee will arrange for the re-investment of contributions into the investment option originally chosen by members.

In all such circumstances, the Trustees and/or fund manager will notify members of the issue and steps being taken to resolve it. Where necessary, these will be described in the separate investment implementation document.

Full details of the current default arrangements, as well as any inadvertent or temporary default arrangements are given in Appendix A ("Investment implementation for the default arrangement").

2 Statement of the aims and objectives for investment options outside the lifestyle arrangement

Reasons for the investment options

In addition to the default arrangement, the Plan offers members a choice of investment options because:

- While the default arrangement is intended to meet the needs of a majority of the Plan's members, it may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

Choosing the investment options

Membership analysis

The Trustee Directors believe that understanding the Plan's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- The members' ages and salary profiles;
- The likely sizes of members' DC pension funds at retirement;
- Members' retirement dates and likely range of benefit choices at and into retirement;
- The levels of investment risk and return members may be willing to take;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want responsible investment.

Member behaviour

The Trustee Directors have also considered the results of academic research and market surveys into how members choose where to invest their DC pension funds which in summary show:

- Too little choice is viewed negatively by members;
- Too much choice can prove confusing and deter members from taking action; and
- Some members will not regularly review their choices.

Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Objectives for the investment options

The Plan offers members a choice of investment options as an alternative to the default arrangement.

Self-select funds

The objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their DC pension fund is invested;
- Complement the objectives of the lifestyle arrangement and the alternative lifestyle options;
- Provide a broader choice of levels of investment risk and return;

- Provide a broader choice of investment approaches including responsible investing;
- Help members more closely tailor how their DC pension fund is invested to their personal needs and attitude to risk; and
- Help members more closely tailor how their DC pension fund is invested to reflect the benefits they intend to take at retirement.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee Directors' objectives for these investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

Full details of the current investment options are provided in Appendix A ("Investment implementation for the default arrangement") and Appendix B ("Investment implementation for investment options outside the default arrangement").

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustee Directors gives members the opportunity to pay AVCs in line with their normal contributions. The choice of funds for AVCs is the same as the DC fund choice, which is set out in Appendix A and B.

3 Statement of investment beliefs, risks and policies

Introduction

This Statement sets out the investment beliefs and policies which guide the Trustee Directors' decision making.

For the record

This Statement of investment beliefs, risks and policies should be read in conjunction with the Statements of the aims and objectives for both the default arrangement and the investment options outside the default arrangement. Collectively, these respectively form the Statements of Investment Principles for the Scheme and the default arrangement.

This Statement of investment beliefs has been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019.

Risks

Principal investment risks

The Trustee Directors believe that the three principal investment risks most members will face are:

1) Inflation risk – investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

Further from retirement, this risk should be countered by funds investing in equities and other growth orientated assets which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

2) Benefit conversion risk – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.

3) Volatility/Market risk – falls in fund values prior to retirement lead to a reduction in retirement benefits.

Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Other investment risks

The Trustee Directors believe that other investment risks members may face include:

Active management risk – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

The Trustee Directors are comfortable that the benchmark asset allocation of the default strategy offered to members is appropriate and consistent with the lifestyle approaches to investment which are in place. The decision to invest primarily in passive funds reduces manager risk relative to benchmark (which would arise from the potential underperformance of a benchmark).

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.

Default risk – for bond funds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Liquidity risk – funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

Counterparty risk – the financial institutions holding a fund's assets may get into financial difficulties leading to a reduction in a fund's value.

Market risks - Shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Factor based investing – equity investments may show several factors (supported by academic research) that may be expected to deliver stronger returns over the longer-term, but which may show increased risks (including timing) in the shorter-term.

Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Legislative/Regulatory - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

Choosing investments

The funds in which members invest are pooled funds, which the Trustee Directors believe is appropriate given the size and nature of the DC Section. The managers of the pooled funds are given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio within each fund. The Trustee Directors are satisfied that the assets held in each fund are suitable in relation to the needs of the members.

Kinds of investment to be held

The investment manager may invest in UK and overseas equities, UK and overseas corporate bonds, UK and overseas government bonds (fixed interest and inflation linked), infrastructure, property, commodities, private equity and cash. However, the investments in each fund will depend on the nature of each fund, its objective and benchmark and the risk controls which operate. Within each fund, the proportions held at any time in each asset class or geographic region will reflect the benchmark for that fund.

Managing risks

The Trustee Directors have developed and maintained a framework for assessing the impact of all investment risks on long-term investment returns.

Time horizon

The Trustee Directors monitor the age profile of the Plan's membership to arrive at an appropriate investment horizon when considering all investment risks:

- The Plan is closed to new entrants but members who had previously made AVCs are still able to contribute if they are active members of the Plan.
- As a result, investment risks need to be considered over a time horizon in excess of 30 years.

Principal investment risks

The lifestyle options manage the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of a majority of members.

Ability to invest/disinvest promptly

The Trustee Directors recognise that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee Directors manage this risk by selecting pooled investment funds which can be dealt on a daily basis. The fund manager is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee Directors if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

Other investment risks

The Trustee Directors manage the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Plan.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

The Trustee Directors acknowledge the relevance of climate change and the potential risk it can have on certain investments in the future. At this time, the Trustee Directors have not made explicit allowance for climate change within the development or implementation of its investment strategy. The Trustee Directors do discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will monitor developments in this area including the availability of solutions to mitigate climate-related risks.

Financially material considerations

The Trustee Directors recognise that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Plan's investment options.

The Trustee Directors recognise the importance of ESG mandates and will put an option in place where relevant in the DC Section. The Trustee Directors have discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of their investment managers.

Implementation

The Plan uses standard pooled funds offered by the fund manager. This gives access to a range of funds while keeping down costs to members but means that the Trustee Directors cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustee Directors nevertheless seek to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- In selecting new investment managers, where relevant to the investment mandate, the Trustee Directors explicitly consider potential managers' approaches to responsible investment and the extent to which managers integrate ESG issues in their investment process as a factor in their decision making;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and are satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account, when selecting which companies and markets to invest in, including the potential impact of ESG factors and climate change in the implementation of their mandate;
- For passively managed funds, the Trustee Directors recognise that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustee Directors believe will deliver appropriate risk adjusted returns. The Trustee Directors will review the index benchmarks employed for the Plan on at least a triennial basis;
- In passive mandates, the Trustee Directors recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material.
- For all funds, encourage fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

The Trustee Directors are satisfied that the investment managers are following an approach which takes account of all financially material factors.

Expected returns on investments

The Trustee Directors believe that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account).

Asset class	Expected long-term investment returns relative to inflation	Expected shorter-term volatility in fund values	Objective
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term	Achieve an attractive real return over the long term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities	Achieve an attractive real return over the long term

Asset class	Expected long-term investment returns relative to inflation	Expected shorter-term volatility in fund values	Objective
Multi-asset / Diversified Growth Funds (i.e. investing in a varying mix of asset classes)	Positive returns relative to inflation over the longer-term, but lower than equities	Lower short-term volatility than equities	Achieve an attractive real return over the long term
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property	Provide for the payment of the tax-free lump sum on retirement and to reduce the volatility of the cost of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds	Provide for the payment of the tax-free lump sum on retirement and to reduce the volatility of the cost of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds	Provide for the payment of the tax-free lump sum on retirement and to reduce the volatility of the cost of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return
Cash (and other short-term interest-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security	Provide for the payment of the tax-free lump sum on retirement and to reduce the volatility of the cost of the annuity that may be purchased, rather than to achieve a specified 'real' or 'nominal' return

The Trustee Directors note that long-dated bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

Responsible Investment (i.e. funds selecting assets to mitigate ESG and/or climate change risks) – the strategy of these funds is expected to give a better risk adjusted return over the long-term than the broader market for the type of assets involved (e.g. equities).

The Trustee Directors are satisfied that these return objectives are consistent with the aims of members at different stages within the lifestyle process.

Investment beliefs

The Trustee Directors' investment decisions are made in the context of their investment beliefs that:

- The long-term nature of the Plan means that investments should be made with the expectation of long-term sustainable returns;
- Managing the principal investment risks is the most important driver of good long-term member outcomes;
- As the Plan invests for members over the long-term, financially material considerations including the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Taking investment risk is usually rewarded in the long term;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Actively managed funds, where the manager chooses where to invest, may not always deliver the expected investment returns in the shorter-term;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets.
- Charges and costs (levied by the fund manager) can have a material effect on net returns;
- Companies demonstrating positive ESG practices are expected to outperform others over the long term;
- Climate change is a material financial risk, particularly to younger members;
- Active stewardship can support positive engagement with members.

Types of funds used

Structure of the investment arrangements

The Scheme's asset, and the Trustees' contract with the provider, is the policy of insurance issued by the provider. As a result, the Trustees do not have any contractual arrangement with the investment managers or title to the underlying funds' assets

Delegation of investment decisions

The Plan uses pooled investment funds provided by Legal & General. This enables the Plan to invest in a range of assets giving a good spread of investments in a cost-effective manner. It does mean that the Trustee Directors has delegated day to day investment decisions including the management of financially material considerations to the fund manager.

Manager incentives

In respect of the pooled funds which are used by the Plan, the basis of remuneration of the fund manager is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. The Trustee directors have has appointed each of its fund managers to deliver a specific benchmark or performance target, which overall will align to deliver the broader Plan investment strategy. The Trustee Directors ensures that the fund manager has clearly defined benchmarks, objectives and management parameters. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee Directors expect that it will be in the interests of the fund managers to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee Directors will ask their investment advisor to consider the fund managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Plan's members.

In accordance with the 2015 Regulations, the Trustee Directors conduct an annual Value for Members assessment and will take action should the funds be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee Directors will periodically review the Plan's choice of fund[s] to ensure the charges and services remain competitive. The Trustee Directors believe that these steps are the most effective way of incentivising the fund managers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee Directors also undertake a review at least every three years in which the appropriateness of the investment options and the suitability of the Plan's investment management arrangements are considered.

The Trustee Directors monitor the investment managers against a series of metrics on a rolling semi-annual basis over a long-term time horizon including:

- Performance of their funds' respective benchmarks [or performance targets];
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

Portfolio turnover

The Trustee Directors do not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the Trustee Directors will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee Directors expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee Directors will ask the investment managers to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Plan's reporting year. The Trustee Directors will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.]

Where a fund has significantly under or outperformed its benchmark, the Trustee Directors will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee directors will challenge the investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Portfolio duration

The Trustee Directors recognise the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan members' investment horizon. The Trustee Directors will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustee Directors expect that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Security of assets

The funds are provided through a policy of insurance issued to the Trustee Directors by the manager. As a result, the value of the funds may be affected in the event of the manager getting into financial difficulties.

The Plan's DC assets held in LGIM's life wrapper funds are covered by the Financial Services Compensation Scheme ("FSCS"). The Trustee Directors will continue to keep the security of members' assets under review. The Trustee Directors take the security of assets into account when selecting and monitoring the funds used by the Plan.

Realisation of investments

The Trustee Directors expect that the fund managers will normally be able to sell the assets within a reasonable timescale. In particular, the assets are held in stocks which are quoted on major stock markets and may be realised quickly if required. There may, however, be occasions where the fund manager needs to impose restrictions on the timing of sales and purchases of assets (most notably for investments in property) in some market conditions to protect the interests of all investors in that fund.

Nevertheless, the Trustee Directors recognise that most members' DC pension funds have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

Balance of investments

The Trustees review the nature of the Scheme's investment options on a regular basis, with particular reference to suitability and diversification. The Trustees considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Each fund has a defined objective within the overall framework. Overall, the Trustee Directors believe that the Plan's investment options:

- Provide a balance of investments;
- Are appropriate for different categories and ages of members; and
- Are appropriate for managing the risks typically faced by members.

Stewardship

The Trustee Directors recognise that stewardship encompasses the exercise of voting rights, engagement by and with the fund manager and the monitoring of compliance with agreed policies. The Trustee Directors accept that ESG matters and Stewardship activity can be relevant to different stakeholders to the Plan. The Trustee Directors will disclose relevant information in relation to ESG and Stewardship with key stakeholders, as requested from time to time.

Members' financial interests

The Trustee Directors expect that the fund manager will have the members' financial interests as their first priority when choosing investments.

Conflicts of interest

When choosing investment managers' funds, the Trustee Directors will seek to establish that the investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest in writing to the Trustees.

When given notice the Trustee Directors will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan.

Responsibility for investment decisions has been delegated to the investment manager which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where the manager is investing in new issuance, the Trustee Directors expect the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee Directors will consider any conflicts of interest arising in the management of the funds used by the Plan and will ensure that the investment manager has an appropriate conflicts of interest policy in place. The Investment manager is required to disclose any potential or actual conflict of interest in writing to the Trustee Directors.

Voting and engagement

The Trustee Directors believe that engagement with the companies in which the Plan invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.

The Plan invests via pooled funds with Legal & General, where investments are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee Directors have adopted a policy of delegating voting decisions on stocks to the fund manager on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The fund manager is expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

LGIM have produced written guidelines of their process and practice in this regard and are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings.

The investment managers should use engagement with company management for positive influence as opposed to divestment from companies unaligned with the Plan's objectives.

The Trustee Directors will regularly review engagement activity including voting undertaken by their investment managers. Where relevant, the Trustee Directors have reviewed the voting and engagement policies of the fund managers as well as the approach to governance of the provider and determined that these policies are appropriate. On an annual basis, the Trustee Directors will request that the investment provider and fund managers provide details of any change in their house policy.

Where appropriate, the Trustee Directors will engage with and may seek further information from the fund manager on how portfolios may be affected by a particular issue.

Monitoring

The Trustee Directors receive reports from the fund manager on their voting activity on a periodic basis and the Trustee Directors monitor their voting activity on a periodic basis. The Trustee Directors will also periodically review the fund manager's voting patterns and may also monitor voting on particular companies or issues affecting more than one company.

The Trustee Directors review the fund manager's voting activity on an annual basis in conjunction with their investment adviser and use this information as a basis for discussion with the fund manager. Where the Trustee Directors deem it appropriate, any issues of concern will be raised with the manager for further explanation.

The Trustee Directors aim to meet with the fund manager on an annual basis. The Trustee Directors will provide the fund manager with an agenda for discussion, including issues relating to individual holdings and where appropriate, ESG issues. The manager is challenged both directly by the Trustee Directors and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Non-financial factors

Given the objectives of the Plan, the Trustee Directors do not impose any restrictions or exclusions to the investment arrangements based on non-financially material factors.

The Trustee Directors note that a large majority of members have made active investment choices. The Trustee Directors may conduct periodic surveys to ascertain members' views on non-financial factors relating to the Plan's investments. Nevertheless, while the Trustee Directors may bear members' views in mind when reviewing the suitability of the Plan's investment options and choice of funds used, the Trustee Directors will not be bound by the members' views (for instance where it is uneconomic or impracticable to do so).

The Trustee Directors notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Plan's investment objectives.

For the record

The Trustee Directors obtain and consider proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee Directors to give an expected level of return with an appropriate level of investment risk which meets the objectives of the lifestyle arrangement and other investment options.

The funds used at each stage of the lifestyle arrangement are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The fund manager uses a life insurance company based legal vehicle for its funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest-bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee Directors consider that these types of investments are suitable for the Plan. The Trustee Directors are satisfied that the funds used by the Plan provide adequate diversification both within and across different asset classes.

Appendix A

Investment implementation for the default arrangement

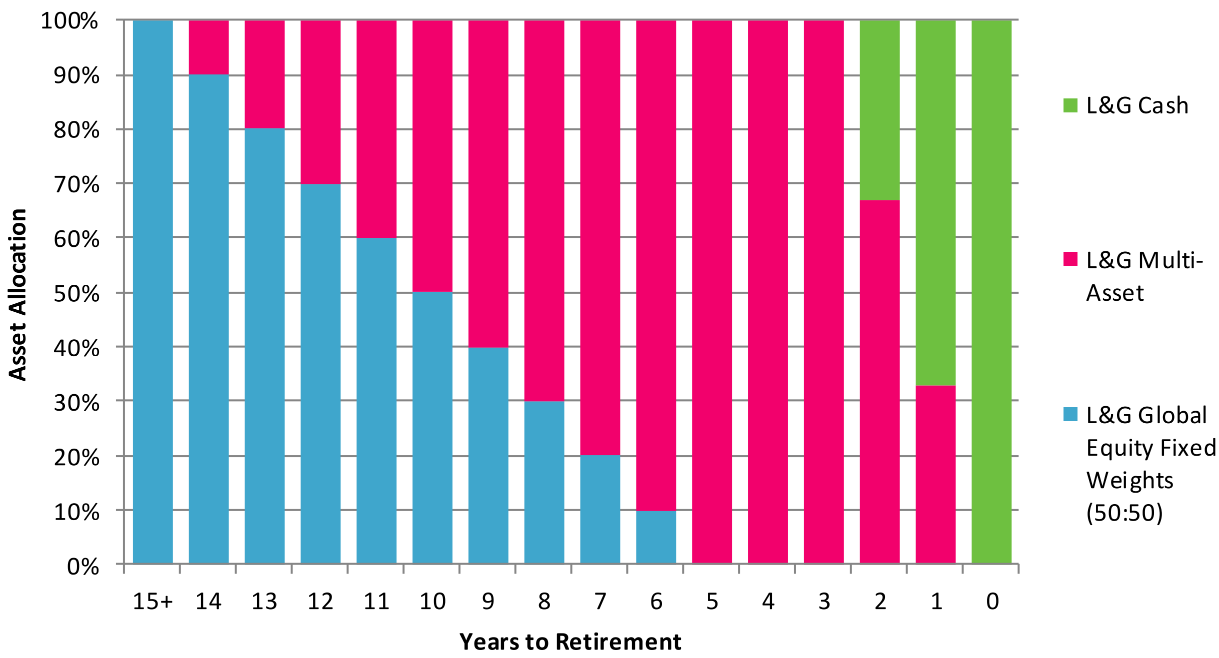
Default arrangement

To assist members with their investment choices the Plan offers a default investment option made up of a number of different investment funds that are combined into a "lifestyle glide path". This structure moves members from higher risk to lower risk funds as they approach their retirement age, helping to meet their tolerance for risk and return.

The individual investment funds within the lifestyle glide path are managed by Legal & General, who levy charges in the funds to pay for their services. The switching arrangements for the lifestyle funds are as follows:

- The initial fund, used for those with more than 15 years to retirement, is the L&G Global Equity Fixed Weights (50:50) Index Fund.
- Once a member reaches 15 years from retirement, switching then commences from the Global Equity Fund into the L&G Multi-Asset Fund, reaching a 100% allocation to the fund 5 years from retirement
- Finally, when a member reaches 3 years from retirement, switches commences from the Multi-Asset Fund into the L&G Cash Fund, reaching 100% in the Cash Fund at retirement

The above lifestyle glide path is shown in the chart below.



Fund allocation

The allocation to each fund in the **Lifestyle Strategy** default arrangement at yearly intervals up to a member's selected retirement date is:

Years to retirement	L&G Global Equity Fixed Weights (50:50) Fund	L&G Multi-Asset Fund	L&G Cash Fund
15 or more	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	100%	0%
3	0%	100%	0%
2	0%	67%	33%
1	0%	33%	67%
0	0%	0%	100%

Rebalancing between these funds takes place on a quarterly basis. "Reverse switching" in the event of marked relative movements between funds causing an overshoot of the target asset allocation is not undertaken.

Funds and charges

The funds used by the **Lifestyle Strategy** and their charges (expressed as a percentage fund management charge ("FMC") and Total Expense Ratio ("TER") as at 6 September 2021 are:

Underlying fund(s)	FMC %	TER %
L&G Global Equity Fixed Weights (50:50) Index	0.10%	0.22%
L&G Multi-Asset Fund	0.13%	0.25%
L&G Cash Fund	0.09%	0.21%

Members in the **Lifestyle Strategy** will see TERs range from 0.21% to 0.25%.

Other default arrangements

Inadvertent default arrangements

Due to the temporary suspension of trading in the L&G Property Fund caused by the Covid-19 pandemic , member contributions were redirected to the L&G Cash (Suspensions) Fund from March 2020. The suspension was lifted on 1 October 2020 and these contributions were reinvested in the L&G Property Fund being the fund originally chosen by these members.

The charges on the L&G Cash Fund (expressed as a percentage annual management charge ("AMC") and Total Expense Ratio ("TER") as at 31 March 2021 are 0.12% (AMC) and 0.21% (TER).

The Trustee believes that this fund was appropriate as a temporary destination for members contributions during the suspension of the L&G PMC Property Fund as the underlying investments are exactly the same as the L&G Cash fund which forms part of the GE AVC Lifestyle strategy, providing a stable lower volatility fund with very low transaction costs.

Investment costs

Fund charges

The investment fund managers' charges for the investment options are borne by the members.

The Plan is not a "qualifying scheme" for auto-enrolment purposes, which means that the lifestyle option is not subject to the charge cap introduced by the government from April 2015.

Transaction costs

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values.

Review

The present lifestyle arrangement was introduced in 2015 and was reviewed on 14th November 2019.

Appendix B
Investment implementation for investment options outside the default arrangement

Self-select fund range

The Plan offers members a choice of self-select funds options as an alternative to the default option and alternative lifestyle options.

Fund range

Members can currently choose between the following funds managed by LGIM as self-select funds. The choice of self-select funds and their charges (expressed as a percentage fund management charge ("FMC") and Total Expense Ratio ("TER")) as at 6 September 2021 are:

Fund type	Underlying fund	FMC %	TER %
Equity Funds	L&G Global Equity Fixed Weights (50:50) Index	0.10%	0.22%
	L&G World ex UK Equity	0.12%	0.24%
	L&G UK Equity	0.10%	0.22%
	L&G World Emerging Markets Equity	0.25%	0.37%
	L&G Ethical Global Equity	0.30%	0.42%
	L&G HSBC Islamic Global Equity Index	0.35%	0.47%
Bond Funds	L&G Over 15 Year Gilts	0.08%	0.20%
	L&G Over 5 Year Index Linked Gilts	0.08%	0.20%
	L&G AAA-AA-A Corporate Bonds All Stocks	0.12%	0.24%
	L&G Pre-Retirement Inflation Linked	0.13%	0.25%
Cash	L&G Cash Fund	0.09%	0.21%
Property Fund	L&G Property	1.23%	1.35%
Multi-Asset	L&G Multi-Asset Fund	0.13%	0.25%

Use of options

Members cannot contribute to the alternative lifestyle options and self-select funds at the same time.

Members cannot have investments from previous contributions in the alternative lifestyle options and self-select funds at the same time.

Investment costs

The investment fund managers' charges for the investment options are borne by the members.

Transaction costs arise when the fund managers buy and sell the assets held by each fund. Costs may also be incurred when units in the funds are bought and sold. These costs are taken into account when calculating the funds' unit prices and members' fund values and are borne by members.

Review

The current lifestyle option and self-select fund range were introduced in 2015. The lifestyle option was reviewed on November 2019 and will next be reviewed again by November 2022. The self-select fund range is going through a review currently and this document will be updated to reflect any changes.

Appendix C
Summary of the approach to investment governance

For the record

The Trustee Directors' approach to investment governance complies with the provisions of the Plan's Trust Deed and Rules as well as legislative requirements.

The Plan's investment governance is also intended to meet the expectations set out in the Pensions Regulator's 2016 Code of Practice 13.

Exercising the Trustee Directors' Powers

The Trustee Directors will always act in the best interests of the members.

The Trustee Directors have delegated day-to-day work on the Plan's administration and investments. The current service providers to the Plan together with how they are paid is set out in Appendix D.

Conflicts of interest

In the event of a conflict of interests, the Trustee Directors will ensure that contributions are invested in the sole interests of members and beneficiaries.

Monitoring

The Trustee Directors regularly monitor and review:

Investment Performance - The performance of the funds in which the Plan invests against both the funds' stated performance objectives and the investment objectives of the Plan.

Value for members - The member borne charges for the default option against the charge cap for auto-enrolment purposes and the funds' charges and transaction costs to ensure that they represent value for members.

Suitability - The suitability of the default option and investment options outside the default arrangement at least every three years and without delay after any significant change in investment policy or the demographic profile of the Plan's membership.

The Statements of Investment Principles - at least every three years and without delay after any significant change in investment policy or the demographic profile of the Plan's membership. The Trustee Directors will consult the sponsor on any changes.

Compliance with Statement of Investment Principles

The Trustee Directors will monitor compliance with the Statement of Investment Principles annually and publish a report to members with effect from the Plan year ending after 1 October 2020.

Investment process - The processes for investing contributions and taking money from the investment options to pay benefits to ensure that they are carried out promptly and accurately.

Security of assets - The security of funds' assets when choosing a fund provider/manager and thereafter.

Reporting

The Trustee Directors arrange for the preparation of:

- The Plan's audited Annual Report and Accounts (which includes the Annual Governance Statement);
- The Annual Governance Statement by the Chair of the Trustees describing the Plan's investment costs, value for members and governance during the previous year;
- Publication of an extract from the Annual Governance Statement by the Chair of the Trustees in a publicly searchable location on-line.
- An annual return to the Pensions Regulator.

Appendix D

Summary of the Plan’s service providers.

The Plan’s current service providers and their basis of remuneration are as follows:

Service	Provider	Remuneration basis
Fund managers	As shown in Appendices A and B	Percentage of fund value included within funds’ Total Expense Ratios
Custodians	Selected by the fund managers.	Percentage of fund value included within funds’ Total Expense Ratios
Pension administrator	Aon Hewitt Limited	A combination of fixed and time cost fees
Investment Consultant	Hymans Robertson LLP	A combination of fixed and time cost fees
Legal advisers	Eversheds-Sutherland (International) LLP	Time cost fees