Statement of Investment Principles

Goldman Sachs UK Retirement Plan

December 2022

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1 Introduction

Pensions Act

1.1 Under the Pensions Act 1995, subsequently amended by the Pensions Act 2004 (the "Pensions Act"), trustees are required to prepare a statement of the principles (the "statement" or "SIP") governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustee of the Goldman Sachs UK Retirement Plan (the "Plan"). This statement of investment principles covers the Defined Benefit Section (the "DB section") as the main section of the Plan. The statement in respect of the legacy Defined Contribution Section (the "DC section") is included in Appendix B of this document.

1.2 The DB section's benefits are provided on a final salary (defined benefit) basis and the DC section's benefits are provided on a money purchase (defined contribution) basis for individual Plan members. The Plan's assets are held under the legal control of the Plan's Trustees ("the Trustee") under a trust constituted between Goldman Sachs International ("the Firm") and the Trustee.

1.3 Before finalising this document, the Trustee has consulted the Firm and will do so prior to any change to the statement. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.4 Before preparing this document, the Trustee has also sought advice from a duly appointed professional investment consultant, Towers Watson Limited (the "Investment Consultant").

1.5 Before preparing this document the Trustee has had regard to the requirements of the Pensions Act and subsequent regulations and the Trustee will consider those requirements on any review of this document or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.6 In accordance with the Financial Services and Markets Act 2000, the Trustee will set the general investment framework, but will generally delegate the responsibility for selection of specific investments to appointed Investment Managers. The Investment Managers shall provide the skill and expertise necessary to manage the investments of the Plan competently. The Trustee will maintain an Investment Management Agreement with each manager, setting out in detail the terms on which the assets are managed.

1.7 The Trustee will review this document at least once a year, or without delay after any significant change in investment policy.

2 Division of Responsibilities

The Trustee

2.1 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

2.2 The Trustee have put in place an investment governance structure that utilises fiduciary management. The detailed responsibilities of each party are provided below. The Trustee owns and determines the Plan’s high-level investment strategy. For the majority of the Plan’s assets the Trustee has delegated the determination of the Plan’s asset allocation and the appointment and termination of underlying investment managers to two Fiduciary Managers (the Fiduciary Strategy Manager and Fiduciary Implementation Manager). The Trustee is assisted in monitoring its investments and its Fiduciary Managers by a Fiduciary Manager Oversight Consultant.

2.3 For certain assets which make up a minority of the Plan’s assets the Trustee retains direct responsibility for appointing (and dismissing) Investment Managers and is advised by the Investment Consultant.

2.4 The Trustee is responsible for appointing (and dismissing) Investment Consultants, certain Investment Managers, the Administrator, the Plan Actuary, the Fiduciary Strategy Manager, the Fiduciary Implementation Manager and the Fiduciary Manager Oversight Consultant.

Finance and Investment Committee (“FIC”)

2.5 The Trustee has established the FIC which provides advice to the Trustee on investment-related issues within the guidelines set out under the SIP. Although primarily advisory, the Trustee has delegated some decisions as set out in the Terms of Reference of the FIC. The FIC itself is advised by the appointed Investment Consultant and the Fiduciary Manager Oversight Consultant. The appointed Fiduciary Strategy Manager and Fiduciary Implementation Manager will participate and input into discussions as appropriate.

Investment Consultant

2.6 The Investment Consultant's responsibilities in relation to the DB Section of the Plan include advising the Trustee and the FIC on the SIP, the high level investment strategy, and the appointment (and dismissal) and monitoring of Investment Managers for those assets outside the remit of the Fiduciary Implementation Manager and Fiduciary Strategy Manager.

Investment Managers

2.7 The responsibility for all day-to-day investment decisions is delegated to the Investment Managers, acting at their discretion, but within any guidelines given by the FIC and approved by the Trustee for those assets where the Trustee directly appoints the Investment Manager, and through the Fiduciary Implementation Manager and Fiduciary Strategy Manager in respect of all other assets.

2.8 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to Investment Managers. The Investment Managers will provide the skill and expertise necessary to manage the investments of the Plan competently.

2.9 The Trustee, Fiduciary Strategy Manager and Fiduciary Implementation Manager are not involved in the Investment Managers’ day-to-day method of operation and do not directly seek to influence attainment of their performance targets. The Trustee, Fiduciary Strategy Manager and Fiduciary Implementation Manager will maintain processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each Investment Manager, consistent with the achievement of the Plan's long-term objectives.

Administrator

2.10 The administration of the DB section is managed by the Trustee.

Plan Actuary

2.11 The Plan Actuary's responsibilities include advising the Trustee and the FIC on the interaction between the Plan's investment strategy and the funding of the Plan given the financial characteristics of the Plan’s liabilities, and the Trustee’s assessment of the employer covenant provided by the Firm. The Plan Actuary is also responsible for performing the triennial (or more frequent if required) actuarial valuations as required by the relevant regulations and advising on the appropriate contribution levels.

Fiduciary Strategy Manager

2.12 The Fiduciary Strategy Manager’s responsibilities are in relation to the DB Section of the Plan. The Fiduciary Strategy Manager has discretion to manage the Plan’s strategic asset allocation and the Plan’s risk overlays, with the objective of maximising the probability of achieving the Plan’s investment objective set by the Trustee. The Fiduciary Strategy Manager’s discretion is subject to guidelines set by the Trustee.

Fiduciary Implementation Manager

2.13 The Fiduciary Implementation Manager’s responsibilities are in relation to the DB Section of the Plan. The primary responsibility of the Fiduciary Implementation Manager is to manage the Plan’s assets on a discretionary basis against the strategic asset allocation that has been set by the Fiduciary Strategy Manager, with the aim of outperforming the strategic asset allocation for a given level of investment risk. It is also responsible for the selection, de-selection, monitoring and ongoing management of the relationship with the Investment Managers.

2.14 The Trustee considers the Fiduciary Implementation Manager’s performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Implementation Manager. The Trustee expects the Fiduciary Implementation Manager to ensure that the portfolio, in aggregate, is consistent with the policies set out in this statement, and those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). Where relevant to the mandate, the Trustee expects the Fiduciary Implementation Manager to:

- ensure that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee’s policies;
- use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement for segregated investments to ensure consistency with the Trustee’s policies.

2.15 The Fiduciary Implementation Manager’s discretion is subject to guidelines set by the Trustee. The Fiduciary Implementation Manager will also assist the Plan in reporting performance of the Plan’s assets.

Fiduciary Manager Oversight Consultant

2.16 The Fiduciary Manager Oversight Consultant’s responsibilities include monitoring the performance of the Fiduciary Strategy Manager and Fiduciary Implementation Manager and advising on their ongoing performance and suitability.

3 Objectives and Long-term Policy

Objectives

3.1 The Trustee's Defined Benefit Section investment objectives are as follows:

- to maintain an asset portfolio of appropriate liquidity which will generate income and capital growth to meet, together with potentially new contributions from the Firm, the cost of current and future benefits which the Plan provides;
- to manage the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Plan Specific Funding Requirements ("PSF");
- to control the long-term costs of the Plan (paid by the Firm) by having regard to the expected return on the assets whilst also having regard to the other objectives;
- to use derivatives only for reduction of risks or facilitating efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk);
- to invest mainly in assets traded on regulated markets and to restrict other assets to a prudent level.

Policy

3.2 The Trustee's policy is to seek to achieve their objectives through investing in a diversified mixture of return seeking and liability matching assets. The Trustee recognises that the returns on equities, while expected to be greater over the long term than those on bonds, are likely to be more volatile. Appropriate diversification across asset classes should help provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the Trustee and the Firm, and an acceptable level of cost to the Firm.

3.3 The Trustee intends to monitor and manage the asset allocation in-line with a "journey planning" approach. This approach is expected to involve maintaining broadly the current level of investment risk provided the covenant remains strong and the Plan remains broadly on its projected journey plan, and it is expected to involve de-risking the Plan's assets as the funding position improves over time. The Trustee, on advice of the FIC and in discussion with the Firm, will revisit the appropriateness of the journey plan and investment objectives from time to time (typically in-line with or after each actuarial valuation).

Investment Strategy

3.4 The Trustee will invest in the best interests of the Plan's members and follow an investment strategy which enhances the security, quality, liquidity and profitability of the portfolio.

3.5 The Trustee receives advice to determine an appropriate investment strategy for the Plan. The Trustee has a desire to diversify risk exposures and to manage its investments effectively**.**

3.5.1 The investment strategy may make use of three key types of investments as considered appropriate at various stages of the journey plan:

- a range of instruments that provide a broad match to changes in liability values;
- a portfolio of secure income assets; and
- a diversified portfolio of return-seeking assets.

3.5.2 The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

3.5.3 The Trustee appointed a Fiduciary Implementation Manager and Fiduciary Strategy Manager to manage the Plan's DB assets on a discretionary basis for the Trustee. The balance within and between these investments will be determined from time-to-time at the discretion of the Fiduciary Implementation Manager and Fiduciary Strategy Manager, with the objective of generating the investment returns required to maximise the probability of achieving the Plan's investment objective set by the Trustee, subject to an acceptable level of risk. The discretion of the Fiduciary Implementation Manager and Fiduciary Strategy Manager are each subject to guidelines set by the Trustee within their respective Fiduciary Management Agreements (the "Agreements") with the Trustee dated 13 May 2020 (and as amended from time to time). The Fiduciary Implementation Manager and Fiduciary Strategy Manager consider the Agreements, the guidelines and the Trustee's policies set out within this statement when carrying out their roles and responsibilities, which ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

3.5.4 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Fiduciary Strategy Manager, Fiduciary Implementation Manager and the Plan Actuary, the appropriateness of its investment strategy in relation to the nature and duration of the Plan's liabilities.

3.5.5 The expected return of an investment will be monitored regularly and will be directly related to the Plan's investment objective.

3.5.6 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible. The Trustee may make use of short-term contingent liquidity facilities provided by the Goldman Sachs Group or other banks as part of this policy.

Sustainable investments and stewardship

3.6 The Trustee has prepared a Sustainable Investment policy for the Plan, with guidance from the Fiduciary Strategy Manager. The aim of the policy is to set out the Trustee's beliefs around sustainable investing, provide a framework to help with the implementation of the Trustee's investment strategy by the Fiduciary Implementation Manager, and provide a basis on which to monitor the sustainability of the Plan.

3.7 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's Investment Managers, the majority of which are overseen by the Fiduciary Implementation Manager. The Trustee has also delegated responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers. However, the Trustee and Fiduciary Implementation Manager recognise that an investment's long-term financial success is influenced by a range of financially material factors including environmental, social and governance (ESG) issues.

3.8 Consequently, the Trustee (through the selection of the Fiduciary Implementation Manager and its associated approach to environmental, social and governance issues) seeks to be an active long-term investor. The Trustee's focus is explicitly on financially material factors. The Trustee's policy currently is not to consider non-financial matters. The Fiduciary Implementation Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures which the Fiduciary Implementation Manager considers in the assessment.

3.9 The Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with effective stewardship, both through voting and engagement, on relevant matters such as the capital structure of investee companies, actual and potential conflicts of interest, other stakeholders and the ESG impact of underlying holdings.

3.10 The Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets.

3.11 The consideration of ESG issues is fully embedded in the Investment Manager selection and portfolio management process, with oversight undertaken on an ongoing basis. Whilst noting there may be limitations for each Investment Manager and asset strategy, the Fiduciary Implementation Manager expects Investment Managers to have ESG processes that align with the investment risk and return characteristics of the strategy.

Alignment with Investment Managers

3.12 Alignment between an Investment Manager's management of the portfolio and the Trustee's policies and objectives are a fundamental part of the appointment process of a new Investment Manager.

3.13 To maintain alignment, the Plan's Fiduciary Implementation Manager is provided with the most recent version of the Plan's Statement of Investment Principles and the Trustee's policy on sustainable investment on an annual basis (or following material changes) and is required to explicitly confirm that the Plan's assets are managed in line with the Trustee's policies as outlined in these documents.

3.14 For most of the Plan's investments, the Trustee expects the Fiduciary Implementation Manager to appoint Investment Managers with a medium to long time horizon, consistent with the Plan's time horizon.

3.15 In particular areas such as equity and credit, the Trustee expects the Fiduciary Implementation Manager to work with Investment Managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment.

3.16 The Trustee notes that the Fiduciary Strategy Manager may allocate to, or the Fiduciary Implementation Manager may invest in, certain strategies, for example derivative based alternative risk premia strategies, where such engagement is not appropriate or practical, due to the nature of the investment. The Trustee expects that the size and appropriateness of the Plan's allocation to such mandates will be consistent with the Plan's overall objectives.

3.17 Investment Managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Fiduciary Implementation Manager to consider the fee structures of Investment Managers and the alignment of interests created by these fee structures as part of its investment decision making process, both on the appointment of an Investment Manager and on an ongoing basis.

3.18 The Trustee expects the Fiduciary Implementation Manager to review and report on the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual Investment Manager level, the Trustee expects the Fiduciary Implementation Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

3.19 Should the monitoring process reveal that an Investment Manager's portfolio is not aligned with the Trustee's policies, the Trustee expects the Fiduciary Implementation Manager to engage with the Investment Manager further to encourage alignment. This monitoring process should include specific consideration of the sustainable investment or ESG characteristics of the portfolio and the Investment Managers' engagement activities. If, following engagement, it is the view of the Fiduciary Implementation Manager that the degree of alignment remains unsatisfactory, the Investment Manager may be terminated and replaced.

3.20 When assessing an Investment Manager's performance, the Trustee expects the Fiduciary Implementation Manager to focus on longer-term outcomes, commensurate with the Trustee's position as a long-term investor. Consistent with this view, the Trustee does not expect that the Fiduciary Implementation Manager would terminate an Investment Manager's appointment based purely on short-term performance but recognises that an Investment Manager may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team. The Trustee adopts the same long-term focus as part of its ongoing oversight of the Fiduciary Strategy Manager and Fiduciary Implementation Manager.

4 Risk Measurement and Management

4.1 The Trustee recognises, measures and manages a number of risks involved in the investment of the assets of the Plan, including but not limited to:

- ***Solvency risk and mismatching risk*** – includes the risk that the Plan's assets are insufficient, or inappropriate, to meet its liabilities. These risks are measured through a qualitative and quantitative assessment of the expected development of the liabilities, relative to the current investment policy and selected alternatives to it, and are managed through assessing the progress of the actual growth of the liabilities relative to the current investment policy.

- ***Manager risk*** – includes the risk that poor performance by one or more individual Investment Managers has a significant negative impact on the Plan's investments. It is measured by the expected deviation of the prospective risk and return relative to the investment policy, and is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the Investment Manager(s)' investment process.

- ***Liquidity risk*** – includes the risk that the Plan is forced to sell investments in poor markets to fund pension and other payments. The risk relating to a need to sell investments to meet benefit outgoings is measured by the level of cashflow required by the Plan over a specified period, and is managed by the Pension Department assessing the appropriateness of the level of cash held in the light of the forecast level of payments. The risk of needing to sell assets to meet requirements from the Plan's deriviative-based contracts is measured by the amount of collateral held by the Plan and is managed by the Fiduciary Implementation Manager and Fiduciary Strategy Manager.

- ***Currency risk*** – arises when investment returns arise in non-Sterling currencies, given that the Plan's liabilities are Sterling denominated. It is measured by the Plan's total exposure to overseas currencies at a point in time. The Plan can mitigate this risk by hedging some of its exposure either by investing in hedged share classes or by employing a specialist manager to manage a currency overlay.

- ***Market risk –*** the risk that the fair value of financial instruments will fluctuate due to changes in market conditions such as interest rates, inflation, currency fluctuation and equity prices. The Plan's LDI manager monitors the position of the Plan's liability hedging assets against the liabilities on a daily basis and can make adjustments as required. This is reported to the Trustee on a monthly basis. The Trustee monitors the value of the Plan's assets and market conditions on a regular basis to monitor this risk.

- ***Counterparty risk –*** the risk that a party to a contract (usually a derivatives contract) will not meet their obligation when due. Counterparty risk is also known as default risk. It is mitigated through a combination of appropriate daily margining of exposure, monitoring major counterparty exposures and employing Investment Managers who are responsible for monitoring and diversifying counterparty exposure.

- ***Regulatory risk –*** the risk of changes in laws or regulations that may impact the Plan and the management of the Plan's assets. The Plan receives periodic advice on regulatory issues and changes from the Plan Actuary, the Investment Consultant and its Lawyer in order to mitigate this risk.

- ***Political risk –*** includes the risk that a political event could have a significant adverse impact on the value of the Plan's investments. It is measured by the proportion of the Plan's total investments that are concentrated in one market and is managed by regular reviews of the actual investments of each Investment Manager relative to its mandate and through periodic assessment of the levels of diversification of the investment portfolio as a whole.

- ***Covenant risk*** – includes the risk that the Firm as the Plan's sponsor cannot, or will not, make good a current or future deficit of the Plan. It is measured by the Firm's ability, and willingness, to support the continuation of the Plan and to make good any current or future deficit, and is managed by assessing the financial strength of the Firm's business (including the impact on it of the needs of the Plan), as measured by a number of factors, including the credit ratings and ratios of the Firm and several credit metrics that compare the size of the Plan's pension liability to the financial strength of the Firm.

- ***Climate risk*** – this includes the risk that climate change could have a material adverse impact on the Plan's investments, and the risk that the Plan's investments contribute to this climate change. It is measured by analysing the potential impact on the funding position of a range of climate-related scenarios, the amount of carbon emitted by the Plan's investments and the exposure of the Plan to a range of sectors expected to be impacted both positively and negatively by climate change. The Trustee assesses and monitors the Plan's exposures and the approach taken by the Fiduciary Implementation Manager relative to the Trustee's sustainable investment policy on an annual basis.

4.2 The Trustee is cognisant of the specific risks from having additional economic exposures to the wider Goldman Sachs group of companies. The Trustee has the following risk guidelines in addition to the statutory limits on employer-related investments regarding such exposures:

4.2.1 The overall exposure of the Plan to portfolios directly managed by entities within the wider Goldman Sachs group of companies should be limited to be below 50% of assets subject to the exceptions detailed in 4.2.2 and 4.2.3 and the circumstances described in 4.2.4.

4.2.2 Goldman Sachs Asset Management (GSAM) direct investment management of non cash like assets - the overall exposure of the Plan to portfolios directly managed by GSAM should be limited to be below 20% of total Plan assets. For the avoidance of doubt the above limit excludes management of cash, liquidity funds and fund of funds (that comprise solely of externally managed underlying investment funds or mandates) by GSAM. For clarity this limit excludes its Fiduciary Implementation Manager role or as a fund of fund manager but includes direct investment management mandates including where access to these mandates is through a fund of fund. A direct investment management mandate is management of individual holdings such as a specific equity or bond holding.

4.2.3 Other Goldman Sachs Group divisions including the Private Asset Management Division (AMD Private) direct investment management - the overall exposure of the Plan to portfolios directly managed by the Goldman Sachs group of companies other than GSAM, with the exception of any short-term contingent liquidity facilities, should be limited to be below 10% of total Plan assets at the point of commitment. Where the Trustee makes use of short-term contingent liquidity facilities provided by the Goldman Sachs Group the value of the exposures should be limited to below 50% of total Plan assets.

4.2.4 GSAM direct investment management of cash like assets – the overall exposure of the Plan to cash and liquidity fund portfolios directly managed by GSAM should be limited such that the total exposure of the Plan to both cash and non cash like asset portfolios directly managed by entities within the wider Goldman Sachs group of companies is below 50% of assets. The Trustee recognises that the exposure can increase above the limit as a result of market movements. The Trustee has agreed a pragmatic timeframe for GSAM to sensibly manage the assets back to below the limit. In these circumstances the Trustee has agreed an additional operating range that will allow GSAM to continue to take action in order to manage the portfolio efficiently.

4.2.5 Counterparty risk to the Goldman Sachs Group - the overall exposure to the Firm as a derivative counterparty should be monitored and managed. All derivatives exposures with the wider Goldman Sachs group of companies should be collateralised or margined. The Trustee acknowledges that measuring counterparty risk across different derivative products is difficult but that the largest and longest maturity derivative exposures arise with the interest rate swaps and inflation swaps within the liability hedging portfolio. The focus of the following counterparty limit is on that portfolio where Goldman Sachs International (GSI) is a counterparty. The primary economic risk of these swap counterparty exposures with GSI is the costs incurred in having to rapidly replace these interest rate and inflation swaps if that was deemed necessary. The Trustee's goal is that over the next 3 to 5 years this swap counterparty exposure to GSI should be reduced such that the estimated cost of being forced to rapidly replace this exposure due to the failure of GSI or some other reason is below 5% of the Plan's liabilities valued on the SONIA + 80bp basis. For clarity, swaps traded with GSI that are then subsequently centrally cleared do not contribute to the calculated counterparty exposure with GSI.

4.3 The Trustee/FIC continue to monitor these risks, with the assistance of their advisors (including the Investment Consultant, Fiduciary Managers and Investment Managers) and any other risks that may arise and may add to this list any new significant risk categories.

4.4 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk management and the need to allow the Investment Managers sufficient flexibility to manage the assets in such a way as to achieve the required performance target.

B. Defined Contribution Section

Background

B.1 The Plan's Defined Contribution Section is a legacy arrangement with a relatively small population of members that were not transferred to the Firm's primary Master Trust Defined Contribution provider. The Section is not open to new members and currently offers 4 investment funds that provide a suitable range of investment options.

Division of Reponsibilities

Trustee

B.2 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

B.3 For the DC Section the Trustee retains direct responsibility for investment matters such as establishing appropriate governance arrangements, investment performance monitoring and determining the default investment strategy. The Trustee is also responsible for appointing (and dismissing) the Investment Consultant, Investment Managers, Platform Provider, Administrator and Plan Actuary.

Finance and Investment Committee ("FIC")

B.4 The Trustee has established the FIC which provides advice to the Trustee on investment-related issues within the guidelines set out under the SIP. Although primarily advisory, the Trustee has delegated some decisions as set out in the Terms of Reference of the FIC. In respect of the DC Section the FIC itself is advised by the Investment Consultant.

Investment Consultant

B.5 The Investment Consultant's responsibilities in relation to the DC Section of the Plan include assisting the Trustee and the FIC in the revision of the SIP and investment strategy, and appointing and monitoring Investment Managers. The Investment Consultant is also responsible for providing regular written advice on retained DC investments.

Platform Provider

B.6 The Trustee provides members of the DC Section with a range of investment options via a platform offered by the Platform Provider. The Platform Provider is responsible for ensuring that the underlying funds are correctly priced, providing appropriate reporting to the Trustee, providing fund factsheets to members and reviewing the continued structural suitability of the underlying funds. The Trustee will monitor the performance of the Platform Provider against an agreed Service Level Agreement.

Investment Managers

B.7 The responsibility for all day-to-day investment decisions is delegated to the Investment Managers, acting at their discretion, but within any guidelines given by the FIC and approved by the Trustee.

B.8 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to Investment Managers. The Investment Managers will provide the skill and expertise necessary to manage the investments of the Plan competently.

B.9 The Trustee are not involved in the Investment Managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets.

Administrator

B.10 The administration of the DC section is managed by the Trustee. The administrator of the DC Section will be responsible for instructing the Platform Provider of fund switches, and disinvestments on transfer, retirement and death, as well as provision of service performance and membership statistics.

Objectives

B.11 The main investment objectives of the Defined Contribution Section of the Plan are:

- to provide members with a suitable range of investment options to meet various risk/return expectations, in order to provide a fund at retirement with which to purchase a pension annuity, take as a cash lump sum or transfer to a post retirement investment arrangement in line with a member's reasonable expectations;
- to ensure the individual fund options are suitably invested and managed to maximise the return commensurate with an acceptable level of risk;
- to provide members with a suitable range of investment options designed to give members the freedom to structure his/her own investment policy to suit his/her individual risk, return, liquidity and funding requirements.

Policy

B.12 The Trustee invests contributions in accordance with the Plan’s rules. The Trustee will invest in the best interest of the Plan’s members and follow an investment strategy which enhances the security, quality, liquidity and profitability of the portfolio. The Trustee will invest mainly in assets traded on regulated markets and restrict other assets to a prudent level, and the use derivatives (where applicable) will only be for reduction of risks or facilitating efficient portfolio management.

B.13 A list and description of the funds which are currently offered are set out in the “Investment management arrangements” section below. The options offered invest in specialist pooled funds investing in specific asset classes and as such generally have a minimum of 90% invested in the relevant asset class with the balance invested in cash or cash equivalents.

B.14 As the DC section only invests via pooled investment funds, the Trustee will ensure the investment objectives and guidelines of the fund are consistent with its own policies and objectives (as relevant to the investment fund in question).

B.15 When assessing an Investment Manager’s performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an Investment Manager’s appointment based purely on short-term performance. However, an Investment Manager’s appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

B.16 The Trustee reviews the costs incurred in managing the Plan’s assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.

Diversification

B.17 The funds offered are invested in specific asset classes. The majority of the options invest in passive index-tracking funds and, in these circumstances, the assets are deemed to be adequately diversified within the relevant asset class.

Suitability

B.18 Advice has been taken from the Investment Consultant to ensure that the range of funds made available to members, and the benchmarks for each fund, are suitable for the Plan.

Liquidity

B.19 The members' accounts are held in funds which can generally be realised readily to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

B.20 Neither the Investment Managers nor the Trustee will borrow money or act as a guarantor for the purpose of providing liquidity (unless it is a temporary measure to expedite standard settlement periods).

Sustainable investments and stewardship

B.21 The Trustee, in consultation with the Investment Consultant, consider Environmental, Social and Governance (ESG) risks and opportunities, including climate change and stewardship, as financially material over the long-term and relevant to the Plan's investment strategy. The Trustee considers these issues as part of their broader risk management processes, when reviewing the Plan's investment strategy. The Trustee's policy currently is not to consider non-financial matters.

B.22 The Trustee delegates day-to-day investment decisions including integration of financially material ESG risks and opportunities (including climate change) to the Investment Managers (as appropriate to the investment approach of the managers). The Trustee also delegates responsibility for exercising ownership rights (including voting rights and engagement activities) to the Investment Managers.

B.23 When selecting new Investment Managers, the Trustee, together with the Investment Consultant, will consider the approach taken by Investment Managers with respect to sustainable investing, including their approach to ESG integration and stewardship. ESG factors are not currently integrated into the majority of the Plan's exposure to equities and bonds, which is primarily invested on a passive basis in line with broad market indices in the default and alternative lifestyle options.

B.24 The Trustee expects the Plan's Investment Managers to have effective stewardship, both through voting and engagement, on relevant matters such as the capital structure of investee companies, actual and potential conflicts of interest, other stakeholders and the ESG impact of underlying holdings.

Default option

B.25 The DC Section offers a default investment option. Whilst the Trustee recognises that no one option will be suitable for all members, they have made the decision to make available one "lifecycle" strategy where members' investments are initially allocated to equities and are progressively switched into bonds and cash as retirement approaches. The lifecycle strategy is set out below:

	Name of fund		
Age next Birthday	**Passive – Global Equity %**	**Passive – UK Fixed Annuity Target %**	**Active – Money Market GBP %**
55 or less	100.0	0.0	0.0
56	90.0	10.0	0.0
57	80.0	20.0	0.0
58	70.0	30.0	0.0
59	60.0	40.0	0.0
60	50.0	50.0	0.0
61	40.0	60.0	0.0
62	30.0	70.0	0.0
63	20.0	72.0	8.0
64	10.0	74.0	16.0
65	0.0	75.0	25.0

The Trustee recognises some of the investment funds are also classified as default arrangements due to investment changes made in 2018; these funds are subject to the policies outlined in this statement.

B.26 The Trustee believes that the objectives and investment policy of the default arrangements ensures that the assets are invested in members' best interests. While the Trustee recognises the need for a default option, they believe that members should be encouraged to review their personal circumstances from time to time and to make positive selection(s) rather than to rely on the default option.

Risk measurement and management

B.27 The Trustee/FIC recognise that, in a defined contribution arrangement, members assume the investment risks. The Trustee/FIC further recognise that members are exposed to different types of risk at different stages of their working lifetimes. These risks can be broadly defined as follows:

- ***Inflation risk*** – includes the risk that a member's investment does not provide a return at least in line with inflation, such that purchasing power is not maintained. It is measured by comparing the returns against an appropriate measure of inflation such as the Consumer Price Index (CPI).
- ***Pension conversion risk*** – includes the risk that, when close to retirement, a member has not invested the part of their fund that will be used to purchase a pension in those asset classes (principally UK bonds) which provide a partial hedge against annuity rate movements.
- ***Capital risk*** – includes the risk that the value of the member accounts falls, possibly more than anticipated, resulting in less money available for the member to purchase his/her pension.
- ***Opportunity risk (or poor asset allocation)*** – includes the risk that a member takes insufficient investment risk when they can (such as when they are younger). This also includes the risk that a member is not invested in those asset classes (principally equities but including other growth assets) that are expected to yield the highest returns over the long term. This results in a smaller pot of money with which a pension can be purchased.
- ***Manager risk*** – includes the risk that poor performance by one or more individual Investment Managers has a significant negative impact on the Plan's investments. It is measured by the expected deviation of the prospective risk and return, relative to the investment policy, and is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the Investment Manager(s)' investment process.
- ***Climate risk*** – this includes the risk that climate change could have a material adverse impact on the Plan's investments, and the risk that the Plan's investments contribute to this climate change. It is measured by analysing the potential impact on the assets of a range of climate-related scenarios, the amount of carbon emitted by the Plan's investments and the exposure of the Plan to a range of sectors expected to be impacted both positively and negatively by climate change. The Trustee assesses and monitors the Plan's exposures relative to the Trustee's sustainable investment policy on a triennial basis.

B.28 The Trustee/FIC consider that the risk assumed by members in the Plan is managed by offering a suitable range of investment options in which members can choose to invest their accounts and by communicating this investment option range appropriately. The Trustee/FIC do not monitor the asset allocation of the membership.

B.29 Each member of the Plan has responsibility for selecting his/her investments from the funds made available by the Trustee/FIC and for monitoring the continued suitability of the investments to the member's personal circumstances.

Investment management arrangements

B.30 The DC Section's investment options are accessed by members through a platform arrangement provided by the Platform Provider. The Trustee is not involved in the Investment Manager's day to day method of operation and therefore cannot directly influence the performance target. However, they will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. A set of objectives has been developed for each arrangement consistent with their benchmark and investment approach. (These are, of course, simply objectives and the rate of return cannot be guaranteed.)

Arrangement	Underlying Fund Name	Aim & Objective
Lifecycle Strategy	-	To provide an appropriate investment strategy for those members who didn't make an investment choice on joining the Plan.
Active - Money Market GBP Fund*	LGIM Cash	The fund seeks to maximise a current income only to the extent that it is consistent with the preservation of capital and the maintenance of liquidity.
Passive – UK Fixed Annuity Target Fund*	LGIM Pre-Retirement Inflation Sensitive Fund	To match the benchmark as closely as possible
Passive – UK Inflation Linked Annuity Target Fund	LGIM Pre-Retirement Inflation Linked Fund	To match the benchmark as closely as possible
Passive - Global Equity (UK Bias) Fund*	LGIM Global (30:70) Index Fund	To match the benchmark as closely as possible

*In addition to these funds making up the investments in the default lifecycle, they are also classified as default investment funds due to members being mapped as part of the investment changes made in December 2018.

B.31 Each Investment Manager should achieve its objective in the majority of periods under consideration. It is not expected that each Investment Manager will achieve their targets in every period. However, the Investment Manager should demonstrate that the skill it exercises on the portfolio is consistent with its target given the levels of risks adopted.

Fee basis

B.32 Members of the Plan bear the investment management charges on the funds in which they invest, plus an additional charge levied by the Platform Provider for services they provide on the platform. These fees are charged on an ad valorem basis by adjustment to the unit prices within the funds, calculated daily on the value of the fund on a particular day. The Trustee believes the charging structure is appropriate and in line with standard market practice.