EE Pension Scheme

Statement of Investment Principles – December 2024

Defined Benefit Section (other than Money Purchase benefits)

1. INVESTMENT OBJECTIVE

The Trustee aims to invest the assets of the Defined Benefit section (i.e. other than money purchase benefits of the Defined Benefit section) of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy for the Defined Benefit section of the Scheme, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Defined Benefit section's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return (and hence necessitates the taking of a higher level of risk) than the lowest risk strategy while maintaining a prudent approach to meeting the Defined Benefit section's liabilities.

The Trustee recognises that targeting outperformance of the Defined Benefit section's liabilities requires the adoption of an asset mix that will perform differently from the liabilities. This implies that the funding level will be subject to volatility. The Trustee will measure and monitor this volatility using Value at Risk (VaR)[1]. The Trustee will aim to keep the VaR within an acceptable range determined by the Trustee after consultation with the Employer.

The absolute level of VaR depends on a number of factors, such as asset allocation but also prevailing market conditions and the assumptions used to calculate it. In addition, the Trustee's risk tolerance will vary over time with certain factors such as sponsor covenant, funding level and liability profile.

The overall return objective has been determined by the Trustee after an assessment of the Defined Benefit section's liabilities and associated risks of the Defined Benefit section of the Scheme and consultation with the Employer and is, based on the Actuarial Valuation date of 31 December 2021, as follows:

"To implement an investment strategy which targets an expected return over fixed interest gilts of at least 2.0% per annum (net of fees) until 31 December 2030, declining to 0.5% ahead of fixed interest gilts at 31 December 2040"

The Trustee monitors the funding position and associated risks on a number of actuarial bases including the ongoing funding basis (technical provisions) and a "self-sufficiency" type actuarial basis using gilt yield curves to discount future expected Defined Benefit section liability cashflows.

The Trustee may review and adopt a higher or lower overall return objective from time to time, after consultation with the Employer. Factors that the Trustee will take into account in its consideration of the overall return objective include the Defined Benefit section's funding level, the Trustee's tolerance to risk and the Trustee's assessment of the Employer's covenant to the Scheme.

[1] Value at Risk estimates the possible downside risk facing the funding level and is specified as a monetary amount. Based upon a set of economic assumptions there is a 5% chance in any one year that the funding level could fall by at least this amount.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

2. STRATEGY

In order to meet the investment objective for the Defined Benefit section of the Scheme as stated above, the Trustee invests in a range of different asset classes, some predominantly return seeking assets such as equities and some predominantly risk reducing or diversifying asset classes such as index-linked gilts, corporate bonds and real estate.

The overall allocation to different asset classes may vary over time, depending on a number of factors, including market conditions and decisions taken by the fund managers and Trustee in the light of views about the relative outlook for different asset classes.

The current asset allocation strategy, as detailed within Appendix A, was determined with regard to the actuarial characteristics of the Defined Benefit section of the Scheme, in particular the strength of the funding position, the assumptions used to assess the funding position, the Defined Benefit section liability profile and the Employer's covenant.

The Trustee's policy is to make the assumption that riskier assets such as equities will outperform lower risk assets such as gilts over the long term. However, the Trustee recognises the potential volatility in the returns on riskier assets, particularly relative to the Defined Benefit section's liabilities. When choosing the Defined Benefit section's asset allocation strategy the Trustee considered written advice from Brightwell and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the Employer when setting this strategy.

The Trustee's policy is for the investments of the Scheme to be sufficiently liquid to enable disinvestment of assets to meet liabilities of the Scheme as they arise.

3. RISK

The Trustee recognises that the key risk to the Defined Benefit section of the Scheme is that it has insufficient assets to make provisions for 100% of the Defined Benefit section's liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Defined Benefit section of the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Defined Benefit section's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Defined Benefit section of the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fiduciary manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers

both upon the initial appointment of the fiduciary manager and on an ongoing basis thereafter.

- The failure by the fiduciary manager to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Defined Benefit section of the Scheme's investment strategy.
- The possibility of failure of the Defined Benefit section of the Scheme's sponsoring Employer ("covenant risk"). The Trustee and its advisers considered this risk when setting the Defined Benefit section's investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented through a fiduciary manager, the Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Actual funding level versus the Scheme specific funding objective.
- Performance versus the Scheme investment objective.
- Performance of individual fund managers versus its respective targets.
- Any significant issues with the fiduciary manager that may impact its ability to meet the performance targets set by the Trustee.

To manage risk the Trustee conducts a risk assessment (which feeds into the Scheme's risk register) and, where appropriate, discusses the quarterly reports with fund managers.

4. IMPLEMENTATION

Brightwell has been selected as fiduciary manager to the Trustee in respect of the Defined Benefit section of the Scheme,. It operates under an agreement to provide a service which ensures the Full Board of the Trustee and the Funding & Investment Sub Committee (F&ISC) are fully briefed to take decisions themselves and to monitor those they delegate. Brightwell is paid on a fixed fee basis for specific items of work it undertakes for the Defined Benefit section of the Scheme although time cost basis and performance related fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee recognises that "financial material considerations" over the time needed to fund future benefits by the investments of the Scheme include environmental, social and governance factors including climate change and believes that bad performance in these areas can negatively impact the value of investments held if not understood and evaluated properly. The Trustee acknowledges that consideration of these factors may also offer investment opportunities. The Trustee considers this risk when selecting the fiduciary manager and when monitoring their performance.

The Trustee has delegated all day-to-day investment decisions about the Defined Benefit section investments to the fiduciary manager. When choosing investments, the Trustee and its fiduciary manager are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018. The managers' duties also include taking into account environmental, social and governance considerations in the selection, retention and realisation of investments as appropriate.

Fiduciary Manager Arrangement

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the fiduciary manager are aligned with the Trustee's policies.

The Trustee is supported in this monitoring activity by Brightwell. Some of the detailed monitoring is often delegated to the F&ISC. This typically includes updates from Brightwell on various items, including the investment strategy, performance and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives. The Trustee would not typically seek to terminate an investment manager on the ground of short-term performance alone.

The Trustee also receives regular updates on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in annually assessing asset managers and determining the extent to which the Scheme's stewardship policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's fiduciary manager, Brightwell, and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee believes that having appropriate governing documentation, setting clear expectations to Brightwell by other means, such as sharing the policies set out in this SIP, and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to have an investment strategy, and make decisions, that align with the Trustee's policies and are based on assessments of medium-and long-term performance.

The Trustee does not seek to incentivise Brightwell to take into account non-financial performance as it is not the Trustee's policy to take into account non-financial factors (see below).

There is typically no set duration for arrangements with Brightwell, although the continued appointment will be reviewed periodically and at least every three years.

Stewardship – Voting and Engagement

As part of its delegated responsibilities, the Trustee expects Brightwell to select and monitor investment managers in relation to:

- Where appropriate, engage with relevant parties, such as investee companies; and
- Exercise the Trustee's voting rights in relation to the Scheme's assets, with an aim to protect and enhance the long term value of Scheme assets.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it or its appointed Fiduciary Manager, or their selected asset managers would monitor and engage with relevant persons, including an issuer of debt or equity, an investment manager, other stakeholders or another holder of debt or equity. The Trustee may engage on relevant matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest. In practice, based on the current strategy and fund structures, the Trustee delegates this to the Fiduciary Manager, who in turn delegates to asset managers.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to environmental, social and governance considerations, or other factors such as present and future quality of life matters and ethical considerations (defined as "non-financial factors"[1]).

The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Defined Benefit section of the Scheme's investments and that they are carrying out their work competently. The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from Brightwell with regard to any changes. Each of the appointed managers has been set a specific benchmark and performance objective by the Trustee which is monitored in detail by the Trustee on a quarterly basis.

Details of the appointed managers can be found in a separate document produced by the Trustee entitled “Summary of Investment Arrangements for the Defined Benefit section of the Scheme”, which is available to members upon request.

Costs and Transparency

The Trustee is aware of the importance of monitoring its asset manager's total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by the asset manager that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of its investments and ask that the investment manager provides this data in line with the appropriate Cost Transparency Initiative (“CTI”) template for each pooled fund. This allows the Trustee to understand exactly what the Scheme is paying the asset manager. The Trustee works with Brightwell and asset manager to understand these costs in more detail where required.

The Trustee acknowledges that portfolio turnover costs, that is transaction costs associated with the buying and selling of assets within the investment manager's mandates, are a necessary cost in order to generate investment returns and that the level of these costs varies across asset classes and pooled funds. A high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics, manager’s style and historic trends. The Trustee regularly monitors and discusses with Brightwellportfolio turnover costs and turnover ranges (the minimum and maximum frequency within which the assets of the Scheme are expected to be bought or sold). Where the Trustee monitoring identifies a lack of consistency, the mandate may be reviewed.

The Trustee is supported in its cost transparency monitoring activity by Brightwell.

[1]The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Defined Contribution Section and Money Purchase benefits within the Defined Benefit Section

Historic contributions into the Defined Contribution ("DC") Section AVCs, historic bonus sacrifices, and some transfer values brought into the DC Section of the Scheme are invested in a range of pooled investment vehicles selected by the Trustee.

The members choose within the constraints of, and subject to, the Trust Deed and Rules and the restrictions from time to time imposed by the Trustee, how their assets are invested.

The Trustee's policy is to offer a range of pooled investment vehicles providing different investment risk and reward profiles to meet a range of different objectives of the different members of the Scheme with regard to:

- the differing ages,
- members' attitudes to risk,
- the differing expectations as to time of retirement, and
- the options available to members as to the way in which their benefits from their money purchase investments are to be taken.

1. INVESTMENT OBJECTIVE

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee's objective is therefore to make available a range of investment options for this purpose.

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** ("Do it for me") which includes lifestyling arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. More details regarding the default options are available in Appendix B (DC Members) and Appendix C (AVCs) of this Statement.

2. INVESTMENT POLICIES

For the DC Section (including AVCs) of the Scheme the Trustee has contracted with Scottish Widows Limited ("Scottish Widows") to deliver investment management services through their investment platform. The DC Section's investment platform is provided under contract with Scottish Widows and Mercer Workplace Savings (MWS), both of whom are regulated by the Financial Conduct Authority. Mercer has been selected as the Delegated Investment Manager.

The Trustee makes available a range of funds and lifestyle strategy options for the DC Section of the Scheme which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest. Further detail on the fund range offered to members is included in the Investment Policy Implementation Document "IPID".

The investment choices for the DC Section includes developed market equities, emerging market equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, diversified growth funds and pre-retirement funds. Both active and passive management options are offered to members, depending on asset class.

Members who do not indicate a preference are invested in the default option which is a lifestyle strategy designed for members intending to take their benefits at retirement via income drawdown for DC members, or cash at retirement for AVC members. Members' assets are de-risked as they approach retirement via the use of target date funds. More information on the default strategy is included in Appendix B (DC Members) and Appendix C (AVCs).

In addition, alternative lifestyle strategies are available to members that reflect the alternative ways in which members might take their benefits at retirement (Income Drawdown, Annuity or Cash). Assets will be switched into investments which seek to more closely match how the member wishes to access their pension savings as they approach retirement.

Four risk profiled funds have also been made available to members, which are multi-asset funds targeting different risk and return objectives in order to provide members with a choice from lower risk to higher risk funds. The Delegated Investment Manager is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying external investment managers in these risk profiled funds. This decision making responsibility also applies to all standalone MWS funds.

Members determine the balance between the different kinds of investments they hold. This balance will determine the expected return on member's assets and should be related to the member's own risk appetite and tolerances.

The Trustee undertakes to review the DC Section's delegated fund choices offered to members and the delegated investment manager arrangements on a regular basis. In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitability qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.

Non-financial matters, such as member and beneficiary ethical views and views in relation to social and environmental impact and their present and future quality of life are not explicitly taken into account in the selection, retention and realisation of investments. However, the Trustee does make available an Ethical Fund and a Shariah Fund which consider the views of members and their non-financial concerns.

3. RISK MANAGEMENT AND MEASUREMENT

The Trustee has considered investment risk for the DC Section of the Scheme from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustee considers and how they are managed and measured.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds management of many of these market risks is delegated to the investment manager.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	
Environmental, Social and Corporate Governance risk		The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers. See Section 4, below, for the Trustee's responsible investment and corporate governance statement. The Trustee reviews the Mercer Stewardship Monitoring Report on an annual basis.
Investment Manager risk		The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustee regularly reviews performance of investment funds. The management of this risk is outsourced to the delegated investment manager.
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds.

Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available three lifestyle strategies for DC members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.

The above items listed in Sections 2 and 3 of this Statement take into account what the Trustee considers ‘financially material considerations’, which includes (but is not limited to) environmental, social and governance considerations (including climate change). The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level (depending on their need to fund future benefits by investments of the Scheme). This will be dependent on the member’s age and when they expect to retire.

4. RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE (VOTING AND ENGAGEMENT)

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

The Trustee has delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The managers’ stewardship activities include engaging with relevant persons (including issuers of debt or equity, investment managers, other stakeholders or other holders of debt or equity relevant matters) on relevant matters such as performance, strategy, risk, ESG factors, corporate governance, capital structure and management of potential conflicts of interest.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer’s investment processes and those of the underlying managers in the monitoring process. The Trustee believes that Mercer has the necessary expertise and framework in place to effectively manage and monitor investments in line with these areas, and this is implemented through their four pillar framework: integration, stewardship, thematic investment and screening. Where Mercer is the manager the funds for the Scheme incorporate these four pillars as far as is practical. Mercer is expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

5. OTHER INVESTMENTS

Historically members were able to invest in a With Profits Fund managed by Equitable Life Assurance Society ("Equitable Life"). In January 2020, the Scheme's Equitable Life With Profits Fund holdings for DC members were transitioned to Utmost Life and Pensions Limited ("Utmost") into their Secure Cash Fund. The legacy DC assets were subsequently moved out of the Secure Cash Fund and transitioned into the Scheme's DC arrangement.

The legacy DB AVC members who remained at Utmost had their funds initially transferred to the Money Market Fund, before being subsequently transferred into a new AVC arrangement, which mirrors the Scheme's DC arrangement with Scottish Widows.

The Trustee also held an AVC policy with Fidelity. Following a review by the Trustee, members' AVC assets invested under this policy were subsequently transferred to the Scheme's AVC arrangements with Scottish Widows.

The AVC arrangements with Scottish Widows are now the sole AVC policy.

6. INVESTMENT RESTRICTIONS

The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is Scottish Widows Limited, the Scheme's investment platform provider that has the direct relationship with the third parties offering the funds (and not the Trustee).

7. IMPLEMENTATION AND ENGAGEMENT POLICY

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

Policy statement	Trustee's Approach
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee's policies	The Delegated Investment Manager appoints underlying investment managers and the Trustee appoints investment managers of externally managed funds based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives. As the Trustee invests in pooled investment vehicles, they accept that they have limited ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates have been selected to align with the Trustee's overall investment strategy.

	The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Delegated Investment Manager is dissatisfied, then they will look to replace the manager. If the Trustee is dissatisfied (for example if an underlying investment manager's investment strategy or decisions are not consistent with the Trustee's policies) the Trustee may remove the fund from the fund range, thus incentivising the investment manager to remain aligned with the Trustee's objectives. If the investment objective for a particular manager's fund changes, the Delegated Investment Manager will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term	The Trustee and the Delegated Investment Manager expect investment managers to incorporate the consideration of medium to long term financial performance, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments, undertaken by the Delegated Investment Manager. Voting and engagement activity should be used by investment managers to discuss and improve the medium to long term performance of an issuer of debt or equity. The Delegated Investment Manager engages with investment managers on this activity and if dissatisfied will look to replace the manager. If the Trustee is dissatisfied (for example if an underlying investment manager is not making decisions based on medium to long term financial assessments, or is not using engagement activity to improve performance) the Trustee may remove the fund from the fund range, thus incentivising the investment manager to remain aligned with the Trustee's objectives. The Trustee does not seek to incentivise investment managers to incorporate non-financial performance into decision making as the Trustee's policy is that non-financial matters should not explicitly be taken into account in the selection, retention and realisation of investments (see above).
How the method (and time horizon) of the evaluation of the asset manager's performance and the	The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The

remuneration for asset management services are in line with the trustee's policies	Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmarks on a quarterly basis, including assessments of both shorter and longer time horizons and against the Trustee's policies and objectives. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If performance is not satisfactory, or is not in accordance with the Trustee's policies, the Trustee will ask the Delegated Investment Manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees. The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustee's review the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance in accordance with the Trustee's policies, they also take shorter-term performance into account. The underlying managers are appointed by the Delegated Investment Manager, who review if the manager is meeting its stated performance objective and if any changes have been made.
How the trustee monitors portfolio turnover costs incurred by the asset manager.	Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members' assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members' assessments. Importantly, performance is reviewed net of portfolio turnover costs.
How the trustee defines and monitor targeted portfolio turnover or turnover range.	The Trustee does not currently define or monitor target portfolio turnover or turnover ranges for funds since this information is not currently routinely provided by underlying fund managers. The Trustee may review its approach to monitoring portfolio turnover in due course if the information is provided by underlying fund managers.

How the trustee defines and monitors the duration of the arrangement with the asset manager.	The Trustee is a long term investor, all funds are open-ended and therefore there is no set duration for manager appointments. The Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustee is responsible for the selection, appointment and removal of the externally managed funds. The Trustee may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range reviewed on at least a triennial basis. The funds in use are also looked at on an annual basis through the Mercer SmartPath review.

Defined Benefit and Defined Contribution / AVC Section

1. GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Full Board of the Trustee takes some decisions itself and delegates others to the Funding and Investment Sub Committee (the "F&ISC"). When deciding which decisions to take itself and which to delegate, the Full Board of the Trustee has taken into account whether the F&ISC has the appropriate training and access to expert advice in order to take an informed decision.

The Trustee has a clearly defined governance structure which includes an agreed Terms of Reference for the F&ISC and also documents governing the services provided by the investment adviser, custodians and fund managers. The delegatory duties and powers of the F&ISC are as provided for within the F&ISC Terms of Reference as amended from time to time.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs and other monies invested on a money purchase basis. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee will monitor the Defined Contribution Section of the Scheme against the Pension Regulators "DC Code of Practice" to ensure that the scheme adheres to the best governance practices. Through the services of Mercers' Workplace Savings, the investment related quality features such as clear investment objectives, a suitable default strategy, on-going review of investment options and performance and the transparency of costs are already in place.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Fund managers are remunerated on an ad valorem basis, a performance related basis or a mixture of the two. The level of remuneration paid to fund managers is reviewed regularly by the Trustee against market rates and the Trustee's policies to ensure the fund managers' interests are aligned with those of the Scheme. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

The Trustee's agreement with each fund manager is, in the case of pooled fund investments, an agreement between the Trustee, the manager, the Delegated Investment Manager and the custodian. In the case of segregated investments the Trustee will have separate agreements with the fund manager and a custodian. The custodians are responsible for the safekeeping of the underlying assets and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustee will review this SIP at least every three years and as soon as practicable following a significant change in investment strategy. The Trustee will take investment advice and consult with the Employer over any changes to the SIP.

Appendix A – Strategy for the Defined Benefit section of the Scheme

The overall return objective for the Defined Benefit section of the Scheme has been determined by the Trustee after an assessment of the Defined Benefit section liabilities and associated risks of the Defined Benefit section of the Scheme and consultation with the Employer and is, as at December 2023, as follows:

"To implement an investment strategy which targets an expected return over fixed interest gilts of at least 2.0% per annum (net of fees) until 31 December 2030, declining to 0.5% ahead of fixed interest gilts at 31 December 2040"

The one year Value at Risk (VaR95) (as at 30 September 2024) for the Defined Benefit section strategy is estimated to be approximately £94m[1]. The Trustee will monitor the VaR95 and aim to ensure that it remains below 25% of the Scheme's liabilities as calculated on the Scheme's technical provisions basis (equating to about £170m as at 30 September 2024).

The Defined Benefit section of the Scheme's investment portfolio is notionally split into four sub-sections from return seeking riskier assets such as equities to risk reducing lower expected return assets such as index-linked gilts. Certain assets such as property and corporate bonds have characteristics that are a mixture between pure return seeking and risk reducing assets.

The Defined Benefit section strategy is split approximately as follows together with illustrative ranges within which the Trustee expects to maintain the allocations to each broad asset class over the long term:

Asset Class	Central Strategic Weighting %	Illustrative Ranges %
Equities (including synthetic)	15.0	10.0 - 20.0
Absolute Return	1.0	5.0 - 15.0
Illiquid Alternatives	35.0	30.0 - 40.0
LDI and cash	40.0	35.0 - 45.0

Note: Fixed and index-linked bond investments may include gilts, investment grade and higher yield corporate bonds and debt, cash and money-market investments, and other cash-like collateral for supporting, as required, agreed derivative contracts.

The Trustee may also invest in other (predominantly return seeking) alternative assets, for example private equity, hedge funds and absolute return funds, infrastructure and commodities from time to time. If the Trustee does revise its asset allocation for the Defined Benefit section strategy to include investment in such other assets, it will share its revised asset allocation strategy with the Employer.

The Trustee may also invest in other (predominantly risk reducing) assets, for example insurance products and/or assets expected to give some protection against increases in the liabilities due to improvements in longevity, or changes in interest rates or inflation.

The Trustee will monitor the actual asset allocation for the Defined Benefit section versus the central strategic weights set out in the table above. The Trustee recognises that from time to time the actual asset allocation may deviate from the central strategic weight due to market movements or due to medium term views on the relative attractiveness of different asset classes.

If it is considered that the mix has deviated too far from the central strategic weighting for too long a period, the Trustee will consider whether to rebalance back towards the central strategic weightings, taking into account current market conditions, medium term market views, and any changes to the Trustee's risk tolerance, and any changes to the funding position or liability profile of the Defined Benefit section of the Scheme.

[1]The one-year VaR95 means there is a one in twenty (5%) chance that the deficit will worsen by more than £94m in one year's time.

Appendix B – EE Pension Scheme ('the Scheme')

Statement of Investment Principles - Default Option (DC Members)

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** which is a lifestyling arrangement, de-risking investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. Referred to as the Target Drawdown Path.

This Appendix of the SIP should be read in conjunction with "Defined Contribution Section and Money Purchase benefits within the Defined Benefit Section".

1. AIMS AND OBJECTIVES

The aims of the default option are detailed below:

- To generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk.
- To provide a strategy that reduces investment risk for members as they approach retirement.
- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits via income drawdown.

2. INVESTMENT POLICIES

The Target Drawdown Path is implemented using a range of pooled funds managed by the Trustee's chosen investment managers. The Trustee delegates the selection, retention and realisation of investments within these pooled funds to the chosen investment managers.

Assets in the default arrangement are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore the Trustee expects these to be realisable at short notice, based on member demand.

A range of asset classes are included within the default arrangement, including: developed market equities, emerging market equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, diversified growth funds and pre-retirement funds. Both active and passive management funds are utilised, depending on asset class.

The Target Drawdown Path adopts a lifestyle approach to manage risk throughout a member's lifetime in the Scheme. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that it is appropriate to reduce investment risk as the member approaches retirement, this is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement. The Trustee has delegated the investment strategy to Mercer, the asset allocation is consistent with the expected amount of risk that is appropriate given the age of the member and when they expect to retire.

- If the member is more than eight years from their expected retirement date contributions will be invested in a fund which holds a diversified range of assets (equities, bonds and non-traditional assets) with the objective of providing growth whilst mitigating inflation erosion and downside risk.

- Eight years before their target retirement date (or Normal Retirement Date if no target has been specified) members will have their holdings transferred into a target date fund based on expected date of retirement. The target date fund aims to gradually move assets to investments more suitable for targeting cash and variable income (drawdown) as members approach retirement.
- Within the Target Drawdown Path, units across the underlying pooled funds are bought and sold according to the lifestyle matrix set out in the IPID. Specific details on the pooled funds within the Target Drawdown Path are also set out in the IPID.

The Trustee's policy for its arrangements with delegated investment managers is the same as those set out in Sections (6) Investment Restrictions and (7) Implementation and Engagement Policy in the Defined Contribution Section above.

Non-financial matters, such as member and beneficiary ethical views and views in relation to social and environmental impact and their present and future quality of life are not explicitly taken into account in the selection, retention and realisation of investments within the default investment option.

The Trustee considers illiquid assets as those which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a dailydealing multi-asset fund. The default arrangement includes no direct allocation to illiquid investments. The default investment arrangement invests in multi-asset funds that do not invest in any underlying illiquid assets as at September 2024.

The Trustee understands the potential for higher returns and benefits of diversification that illiquids can offer relative to more traditional asset classes (such as bonds or equities). While these benefits are recognised by the Trustee, it is also aware of the risks associated with these investments, for example illiquidity and active manager risk. On balance therefore the Trustee has decided not to include illiquid assets in the default fund. The Trustee acknowledges illiquid assets is a developing area for defined contribution pensions, and expects the Delegated Investment Manager to monitor the position closely and continue to evaluate the suitability of such an investment. In selecting investments for the default arrangement, the Trustee uses modelling to consider the expected impact of different strategic allocation mixes on members' projected pots.

For any future investment, the Trustee carefully considers whether the investment provides value for members taking into account the potential for returns and associated risks. It is the Trustee's policy to review the allocation of the default investment strategy on a triennial basis, and it expects the Delegated Investment Manager to review on an annual basis. The Delegated Investment Manager has confirmed that such reviews will include whether the incorporation of illiquid asset investments is appropriate.

3. RISK

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

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

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.	The Trustee monitors the performance of the growth phase against inflation. The strategy for the default option is set with the intention of diversifying these risks to reach a level of risk deemed appropriate. The strategy is outsourced to the
		The risk that fluctuations in	

Currency risk	foreign exchange rates will cause the value of overseas investments to fluctuate.	delegated investment manager. Within active funds management of many of these market risks is

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Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	delegated to the investment manager.
Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers. See Section 4 in the DC Section of this SIP for the Trustee's responsible investment and corporate governance statement. The Trustee reviews the Mercer Stewardship Monitoring Report on an annual basis.
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustee regularly reviews performance of investment funds. The management of this risk is outsourced to the delegated investment manager.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds.
Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	As part of the triennial default strategy review, the Trustee ensures the default destination remains appropriate. Members who wish to take their pots via other methods are able to choose alternative lifestyle strategies, which may be more suitable for targeting these outcomes, reducing the risk of mismatches between investment strategy and target destination.

The above items in Sections 2 and 3 of this Appendix, take into account what the Trustee considers ‘financially material considerations’, which includes (but is not limited to) environmental, social and governance considerations (including but not limited to climate change). The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level (depending on their need to fund future benefits by investments of the Scheme). This will be dependent on the member’s age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

4. MEMBERS INTERESTS

The Trustee’s policy for the default arrangement in relation to the exercise of rights attaching to investments and the undertaking of engagement activities in respect of investments is the same as those set out in Section (4) “Responsible Investment and Corporate Governance (Voting and Engagement)” in the Defined Contribution Section above.

Taking into account the demographics of the Scheme’s membership and the Trustee’s view of how the membership will behave at retirement, the Trustee believes that the current default strategy (including the policies referred to in this SIP) is appropriate to ensure that assets are invested in the best interests of members and beneficiaries invested in the default option. The Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme’s investment policy or demographic profile, if sooner.

Appendix C – EE Pension Scheme ('the Scheme')

Statement of Investment Principles - Default Option (AVC Members)

For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** which is a lifestyling arrangement, de-risking investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via cash at retirement. Referred to as the Target Cash Lifestyle.

This Appendix of the SIP should be read in conjunction with "Defined Contribution Section and Money Purchase benefits within the Defined Benefit Section".

1. AIMS AND OBJECTIVES

The aims of the default option are detailed below:

- To generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk.
- To provide a strategy that reduces investment risk for members as they approach retirement.
- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as cash.

2. INVESTMENT POLICIES

The Target Cash Lifestyle is implemented using a range of pooled funds managed by the Trustee's chosen investment managers. The Trustee delegates the selection, retention and realisation of investments within these pooled funds to the chosen investment managers.

Assets in the default arrangement are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore the Trustee expects these to be realisable at short notice, based on member demand.

A range of asset classes are included within the default arrangement, including: developed market equities, emerging market equities, small capitalisation equities, low volatility equities, real estate, money market investments, gilts, index-linked gilts, corporate bonds, diversified growth funds and pre-retirement funds. Both active and passive management funds are utilised, depending on asset class.

The Target Cash Lifestyle adopts a lifestyle approach to manage risk throughout a member's lifetime in the Scheme. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that it is appropriate to reduce investment risk as the member approaches retirement, this is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement. The Trustee has delegated the investment strategy to Mercer, the asset allocation is consistent with the expected amount of risk that is appropriate given the age of the member and when they expect to retire.

- If the member is more than eight years from their expected retirement date contributions will be invested in a fund which holds a diversified range of assets (equities, bonds and non-traditional assets) with the objective of providing growth whilst mitigating inflation erosion and downside risk.

- Eight years before their target retirement date (or Normal Retirement Date if no target has been specified) members will have their holdings transferred into a target date fund based on expected date of retirement. The target date fund aims to gradually move assets to investments more suitable for targeting cash as members approach retirement.

- Within the Target Cash Lifestyle, units across the underlying pooled funds are bought and sold according to the lifestyle matrix set out in the IPID. Specific details on the pooled funds within the Target Drawdown Path are also set out in the IPID.

The Trustee's policy for its arrangements with delegated investment managers is the same as those set out in Sections (6) Investment Restrictions and (7) Implementation and Engagement Policy in the Defined Contribution Section above.

Non-financial matters, such as member and beneficiary ethical views and views in relation to social and environmental impact and their present and future quality of life are not explicitly taken into account in the selection, retention and realisation of investments within the default investment option.

3. RISK

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

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

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore secure an adequate pension.	The Trustee monitors the performance of the growth phase against inflation. The strategy for the default option is set with the intention of diversifying these risks to reach a level of risk deemed appropriate. The strategy is outsourced to the delegated investment manager. Within active funds management of many of these market risks is
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	

Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	delegated to the investment manager.
Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	
Environmental, Social and Corporate Governance risk	The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is delegated to investment managers. See Section 4 in the DC Section of this SIP for the Trustee's responsible investment and corporate governance statement. The Trustee reviews the Mercer Stewardship Monitoring Report on an annual basis.
Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The Trustee regularly reviews performance of investment funds. The management of this risk is outsourced to the delegated investment manager.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme is invested in daily dealt and daily priced pooled funds.

Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The default option is a lifestyle strategy which automatically switch member assets into investments broadly appropriate for an individual planning to take their benefits as cash. This is appropriate for the membership due to members also having DB pensions. Members who wish to take their pots via other methods are able to choose alternative lifestyle strategies, which may be more suitable for targeting these outcomes, reducing the risk of mismatches between investment strategy and target destination.

The above items in Sections 2 and 3 of this Appendix, take into account what the Trustee considers 'financially material considerations', which includes (but is not limited to) environmental, social and governance considerations (including but not limited to climate change). The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level (depending on their need to fund future benefits by investments of the Scheme). This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

4. MEMBERS INTERESTS

The Trustee's policy for the default arrangement in relation to the exercise of rights attaching to investments and the undertaking of engagement activities in respect of investments is the same as those set out in Section (4) "Responsible Investment and Corporate Governance (Voting and Engagement)" in the Defined Contribution Section above.

Taking into account the demographics of the Scheme's membership and the Trustee's view of how the membership will behave at retirement, the Trustee believes that the current default strategy (including the policies referred to in this SIP) is appropriate to ensure that assets are invested in the best interests of members and beneficiaries invested in the default option. The Trustee will continue to review this over time, at least triennially, or after significant changes to the Scheme's investment policy or demographic profile, if sooner.

Signed for and on behalf of the Trustee of EE Pension Scheme

Date

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.