Intesa Sanpaolo - London – Retirement & Death Benefit Plan (“the Plan”)

Statement of Investment Principles (“the Statement”)

Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 18 January 2024. The Trustees will review this Statement and the Plan’s investment strategies no later than three years after the effective date of this Statement and as soon as is practical after any significant change in investment policy.

Consultations made

The Trustees have consulted with the employer, Intesa Sanpaolo (London Branch), prior to writing this Statement and will take the employer’s comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Plan. The Trustees have obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice was provided by Aon Investments Limited who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Plan's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the appointed investment managers and is available to the members of the Plan.

Objectives and policy for securing objectives

The Trustees' primary objectives are:

- “Funding objective” – to ensure that the Plan is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit a recovery plan will be put in place which will take into account the financial covenant of the employer.

- “Stability objective” – to have due regard to the likely level and volatility of employer contributions when setting the investment strategies of the Plan.

- “Security objective” – to ensure that the solvency position of the Plan is expected to improve. The Trustees will take into account the strength of the employer’s covenant when determining the expected improvement in the solvency position.

Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of each section of the Plan, their cash flow requirements, their funding levels and the Trustees' objectives. The assets of the Plan are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the technical provisions (the liabilities) of each section of the Plan are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable.

The assets of the Plan are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as derivatives contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

The Trustees review their asset strategy for the Plan following each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way). The Trustees take advice from their professional advisers regarding the appropriate investment strategy for the Plan.

A broad range of asset classes has been considered, including so called "alternative" asset classes.

Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation and are assessed triennially in conjunction with the actuarial valuation of the Plan, following which the Trustees take advice on the continued appropriateness of the existing investment strategy for the Plan.

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Plan's existing investment strategy.

The Trustees monitor the risks arising through the selection or appointment of investment managers on a quarterly basis via investment reports prepared by the investment managers. Expected deviation from the benchmark (for a passive manager) or out-performance target (for an active manager) is detailed in the appendices to this statement. The Trustees have appointed Aon to alert them on any matters of material significance that might affect the ability of each investment manager to achieve its objectives.

The Trustees recognise that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than anticipated.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The investment managers are responsible for the appointment and monitoring of the custodians of the pooled funds. The custodians are independent of the Employer.

Expected returns on assets

Over the long-term the Trustees' expectations are:

- for index-linked bonds, to achieve a rate of return in excess of price inflation, and short-term price behaviour in line with the cost of providing index-linked annuities; and
- for monetary assets (UK and overseas bonds, cash etc) to achieve a rate of return which is at least in line with changes in the cost of providing fixed income annuities.

Aon's Capital Market Assumptions provide median 10 year annualised nominal return assumptions. Projected investment returns for the following asset classes as at 30 September 2023 were: 5.0 % pa 15 -year fixed interest government bonds, 3.7% pa 15-year inflation-linked government bonds, 5.2% pa 10-year investment grade corporate bonds and 2.2% pa Consumer Price Inflation (10 year forecast).

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and investment managers.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The Plan's assets are all realisable at short notice through the sale of units in pooled funds.

Environmental, Social and Governance considerations

The Trustees' primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that, in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the investments.

The Trustees acknowledge that financially material considerations include environmental, social and corporate governance (ESG) factors, such as climate change. Understanding these factors can help identify investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the investment managers to include ESG considerations in the selection, retention and realisation of investments. Such decisions should consider, amongst other things, the sustainability of business models and not be influenced by personal, ethical or moral judgments.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Scheme's assets and liabilities.
- As part of ongoing monitoring, the Trustees will use information, where available, provided by Aon of their assessment of the investment managers against ESG factors.
- On a periodical basis, the Trustees will ask the investment managers to provide their policy on Responsible Investment to include details of how they integrate ESG in their investment decision making process. Should the Trustees look to appoint a new manager, they will request this information as part of the selection process. All responses will be reviewed and monitored.

Stewardship – voting and engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.

The Trustees regularly review the suitability of the Plan's appointed investment managers and take advice from their investment consultant regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees expect, the Trustees undertake to engage with the manager and seek a more sustainable position and may look to replace the manager.

The Trustees review the stewardship activities of the investment managers on an annual basis, covering both engagement and voting actions, and will report on this information in the Engagement Policy Implementation Statement (EPIS). The Trustees will review the alignment of their policies to those of the investment managers and look for the investment managers, or other third parties, to use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustees will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustees may engage on 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. When a concern is identified, the Trustees will engage with their investment consultant to consider the methods by which, and the circumstances under which, they will monitor and engage with the investment managers and other stakeholders.

The Trustees have delegated all voting and engagement activities to the Scheme's investment managers. The Trustees accept responsibility for how the managers steward assets on their behalf, including the casting of votes in line with each manager's individual voting policy, on the assumption and undertaking that the Scheme's investment managers fully exercise their professional stewardship duties of the assets diligently and in compliance with English law.

Arrangements with investment managers

The Trustees monitor the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies.

Where the Plan invests in funds that are regularly reviewed by the Trustees' investment consultant, the Trustees use conclusions drawn from these assessments to determine whether the funds and investment managers remain suitable.

Where the Plan invests in funds that are not regularly reviewed by the Trustees' investment consultant, the Trustees review periodically conduct a review of the fund/strategy, with the support of their investment consultant.

The above monitoring includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees receive quarterly reports from the investment managers on various items including asset allocation, performance and commentary on fund performance.

The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assess the investment managers over the long-term.

In line with the required actions from the Pensions Regulator, on an annual basis the Trustees will produce an EPIS which will be included in the annual report and accounts.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which this aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustees will express their expectations to the investment manager by other means (such as through a side letter, in writing, or verbally at trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, is sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed if material causes for concern are identified.

Cost monitoring

The Trustees are aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, other costs will be incurred by their investment managers that will increase the overall cost incurred by the investments.

The Trustees receive annual cost transparency reports covering all of their investments and ask that the managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what they are paying their managers. The Trustees work with their investment consultant and investment managers to understand these costs in more detail where required.

The Trustees believe that, net of all costs, performance assessments provide an incentive on investment managers to manage costs efficiently. However, they also understand that regular monitoring of these costs will improve the incentives on investment managers to control any inefficiencies.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics and manager’s style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees are aware of portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with their underlying investments through the information provided by their investment managers. The monitoring of the target portfolio turnover and turnover range is undertaken annually with the assistance of the investment consultant.

Effective decision making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information, and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

Additional Voluntary Contributions arrangements

Some members obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Plan. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of the providers and fund options are detailed below and set out in the Appendices to this Statement.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

The Trustees of the Intesa Sanpaolo – London Branch - Retirement & Death Benefit Plan

Intesa Sanpaolo – London Branch - Retirement & Death Benefit Plan
Appendix to Statement of Investment Principles

This Appendix sets out the Trustees' investment strategy for the Plan and is supplementary to the Trustees' Statement of Investment Principles (the "attached Statement").

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

1. Asset Allocation

The Trustees' asset allocation at the effective date of the Statement is set out below:

Fund	**Allocation**
Over 5 Years Index-Linked Gilts Index Fund	5.2%
All Stocks Index-Linked Gilts Index Fund	41.8%
AAA-AA Fixed Interest over 15 years Targeted Duration Fund	25.1%
Over 15 years Gilt Index Fund	17.8%
2071 Gilt Fund	10.1%
Total	**100.0%**

A working balance of cash is held for imminent payment of benefits, expenses and sundries. Under normal circumstances, it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Plan's administrators.

2. Investment Management Arrangements

The Plan's assets are invested with Legal & General Investment Management. The assets are managed in pooled funds and held in the custody and safekeeping of Citibank NA.

The following describes the mandate given to each investment manager within each asset class.

2.1 Gilts

Fund	Benchmark	Target	Expected Tracking Error
LGIM Over 5 years Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Year Index	Track Index	Within +/- 0.25% pa
LGIM All Stocks Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts All Stocks Index	Track Index	Within +/- 0.25% pa
LGIM Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Year Index	Track Index	Within +/- 0.25% pa
LGIM 2071 Gilt Fund	Treasury 1.625% 2071 Gilt	Track 2071 Gilt	Within +/- 0.25% pa

2.2 UK Corporate Bonds

Fund	Objective	Expected Tracking Error
LGIM AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	To produce a total return in line with the UK Conventional Gilts Over 15 Year Index and capture the yield spread over gilts from AAA-AA securities	Not stated

2.4 Cash balances

A working balance of cash is held for the imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Plan's administrator.

The investment manager is not permitted to hold cash, other than within the funds themselves and subject to the constraints set by the investment manager.

2.5 Rebalancing arrangements

The Trustees review the balance of the assets on a regular basis, following which appropriate corrective action may be taken. If cash is required to meet regular benefit outgo and expenses, this will be taken in the first instance from the LGIM AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund.

3. Fee structure for advisers and managers

3.1 Advisers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (for example one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

Fund	**Fee Scale**
LGIM Over 5 years Index-Linked Gilts Index Fund	For the first £5 million, 0.100% pa For the next £5 million, 0.075% pa For the next £20 million, 0.050% pa For the balance over £30 million, 0.030% pa
LGIM All Stocks Index-Linked Gilts Index Fund	For the first £5 million, 0.100% pa For the next £5 million, 0.075% pa For the next £20 million, 0.050% pa For the balance over £30 million, 0.030% pa
LGIM Over 15 Year Gilts Index Fund	For the first £5 million, 0.100% pa For the next £5 million, 0.075% pa For the next £20 million, 0.050% pa For the balance over £30 million, 0.030% pa
LGIM AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	For the first £5 million, 0.150% pa For the next £5 million, 0.125% pa For the next £20 million, 0.100% pa For the balance over £30 million, 0.080% pa
LGIM 2071 Gilt Fund	For the first £5 million, 0.100% pa For the next £5 million, 0.075% pa For the next £20 million, 0.050% For the balance over £30 million, 0.030% pa

4. Additional Voluntary Contributions

AVCs are invested with Standard Life Assurance Company, Scottish Widows and Scottish Equitable.