Reckitt Benckiser
Pension Fund

STATEMENT OF INVESTMENT PRINCIPLES

RECKITT BENCKISER PENSION FUND – DEFINED BENEFIT AND DEFINED CONTRIBUTION SECTIONS

July 2023

STATEMENT OF INVESTMENT PRINCIPLES (“SIP”)

1 Legislative requirement for a Statement of Investment Principles

Under the Pensions Act 1995 (as updated by the Pensions Act 2004), Trustees are required to prepare a statement of the principles governing investment decisions. Before preparing this document, the Trustees have had regard to the requirements including diversification and suitability of investments.

2 Professional advice

Before preparing this document, the Trustees have obtained and considered written advice from the Fund's DB investment consultant, Towers Watson Limited, and DC investment consultant, Aon Investments Limited.

3 Consultation with employer

Before preparing this document, the Trustees have consulted the employer. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

Defined Benefit ('DB') Section

4 Division of responsibilities

The parties involved in the investment of the Fund's assets and their respective roles, are summarised below.

4.1 Trustees

The full Trustee board is responsible for:

4.1.1 Setting the Fund's overall strategic asset allocation policy and reviewing it as appropriate following the results of each actuarial review and/or asset liability modelling exercise.

4.1.2 Consulting with the employer when reviewing investment policy issues.

4.2 Investment managers

The appointed investment managers are responsible for the following, in accordance with the separate Investment Management Agreements with each:

4.2.1 At their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting securities within each asset class.

4.2.2 Providing the Trustees with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the processes applied to their portfolios.

4.2.3 Providing the Trustees with any further investment information that they might require.

4.3 Custodians

The Custodians will be responsible, inter alia, for:

4.3.1 The safekeeping of the assets of the Fund.

4.3.2 Collecting and processing dividends, interest, tax reclaims and dealing with corporate actions in a timely manner.

4.3.3 Providing other appropriate administration relating to the Fund's assets.

4.3.4 Investing cash in a suitable low risk manner consistent with the Trustees' instructions.

4.3.5 Providing the Trustees with statements of assets, cashflows and corporate actions.

5 Review of the SIP

The Trustees will review this document in consultation with the investment consultant periodically, usually once a year, but at least every three years and immediately after any significant change in investment policy. It will also be reviewed following an unscheduled actuarial valuation triggered by legislative funding requirements or where the Trustees decide a review is needed for other reasons. Before revising this document, the Trustees will also consult the employer. Any revised version of the SIP will be circulated to all Trustees.

6 Trustees' investment beliefs

The Trustees consider that the formulation and articulation of their investment beliefs is a fundamental building block in setting a coherent investment strategy.

The Trustees further consider that devoting sufficient time to determining core beliefs is critical to establishing and reaffirming the overall approach to investment, ahead of decisions on strategic asset allocation, selection of investment managers and mandate structure.

The following summarises the Trustees' investment beliefs:

6.1 Equities will tend to outperform bonds and cash in the long term.

6.2 Based on a regular assessment of the covenant strength of the employer, and with a view to achieving the investment objective set out at 7.3 below, the Trustees believe it appropriate to consider an asset allocation strategy that provides for a higher allocation to equities than would be the case if assets and liabilities were 'matched'.

6.3 It is difficult to identify in advance active investment managers who will persistently outperform the market in a cost-effective manner.

6.4 A passive investment approach, with the related minimisation of management and transaction costs, is appropriate for equity and bond investments where markets are relatively efficient.

6.5 Active management may add long-term value with regard to asset classes where markets are less efficient.

6.6 The management or mismanagement of issues such as environmental, social and governance (ESG) considerations play an important role in long-term value creation or destruction.

6.7 ESG factors can affect the risk and return of the Fund and appropriate management of ESG factors is expected to result in better financial outcomes for the Fund in the medium to long term.

6.8 The Trustees prioritise financial outcomes for the Fund when incorporating ESG factors in its investment decision making in line with the Trustees' fiduciary responsibility.

6.9 The Trustees believe that over the long term the Market will effectively price in the risks and opportunities associated with climate change, however, over the shorter term it is appropriate for the Trustees to use a range of approaches to integrate ESG consideration into the Fund's investment strategy. The Trustees' preference is to use engagement and stewardship to achieve the Fund's objectives, however disinvestment and exclusions are valid tools which the Fund could use where engagement and stewardship are less effective.

6.10 Climate change, and a just transition to net zero carbon emissions, is a systematic and urgent global challenge which presents a material financial risk and opportunity to the Fund. This necessitates specific risk management, opportunity identification and collective action.

7 Overall Investment objectives

The overall investment objectives of the Fund are:

7.1 The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the employer, the cost of current benefits of the Members of the Fund.

7.2 To ensure that the Fund is at all times able to meet its liabilities as they fall due by limiting the risk of the assets failing to meet the liabilities over the long term.

In order to fulfil this objective, the Trustees will, periodically, obtain an asset liability modelling ("ALM") study. Such an ALM study will identify a range of possible strategic asset allocation policies (broadly, the split between "return seeking" and "matching" assets).

For each of the asset allocation policy options the study will identify the related "Value at Risk" ("VaR") measure. In particular, the Trustees will consider the "VaR_{95}" measure. This will be the minimum amount by which the funding level of the Fund could be expected to fall in one year in twenty. The Trustees will have regard to this measure of risk in setting their overall strategic asset allocation policy (see section 9).

At least annually thereafter, the Trustees will obtain an actuarial report showing the up-to-date funding position of the Fund. In the light of this, they will assess whether any changes to their overall strategic asset allocation policy are required.

7.3 To minimise the long-term costs of the Fund by maximising the return on the assets whilst having regard to the objective stated at 7.2 above.

7.4 To allocate a portion of the Fund's assets to a Liability Driven Investment ("LDI") strategy to hedge an appropriate proportion of the Fund's liabilities against interest rate and inflation risk.

7.5 To allocate a portion of the Fund's assets to Buy-in strategies to hedge an appropriate proportion of the pensioner liabilities against market and longevity risks.

8 Overall investment policy considerations

8.1 General

The Trustees' policy is to seek to achieve the overall investment objectives through investing in a suitable mixture of real and monetary assets. They recognise that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Fund to meet its liabilities at an acceptable level of risk for the Trustees and an acceptable level of cost to the employer.

8.2 Liquidity

The Trustees, together with the Fund's administrators, will ensure that they hold sufficient cash to meet the likely benefit outgo from time to time and that there are sufficient investments in liquid assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances.

8.3 Expected Rates of Return

The Trustees have regard to the historical rates of return earned on the various classes of asset available for investment of the Fund's assets in agreeing the asset allocation benchmark in section 9 below.

9 Overall strategic asset allocation policy

After taking advice from the investment consultant, the Trustees consider that the current overall strategic asset allocation policy for the Fund will ensure that the assets of the Fund include suitable investments, that those assets are appropriately diversified and that there is a reasonable expectation of meeting the overall investment objectives in section 7 above.

The Trustees' overall strategic asset allocation policy, agreed following consultation with the Company during the 2022/2023 investment strategy review following the completion of the triennial actuarial valuation, is as follows:

The overall strategic asset allocation policy (including the buy-in and LDI mandates) as at 30 June 2023 was to invest the Fund's assets in c.5% return-seeking assets and c.95% in matching assets.

At each quarter end, the Trustees will test the funding level against a target which would ensure the Fund remains on-track to meet the overall investment objectives.

In order to ensure that the split of assets does not become unbalanced, the Trustees will, on a quarterly basis, check the split of return-seeking and matching assets. The Trustees will consider what action is appropriate if the position deviates significantly from the target allocations.

The overall strategic asset allocation policy is subject to periodic review and consultation with the Company.

The Trustees, after being advised by the investment consultant, have provided the investment managers with customised benchmarks. (See section 10 below) with the intention that the total fund allocation remains broadly in line with the above strategic asset allocation policy.

The Trustees will review the actual asset allocation at least annually and rebalance if appropriate. In addition, the Trustees will review asset allocation at each of their regular meetings and will take corrective action if any of the asset categories are outside the expected range.

A proportion of the currency risk in global equities is hedged via an equivalent currency hedged fund managed by Legal and General Investment Management.

10 Investment Manager Structure

In compliance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate to the appointed investment managers the responsibility for the day-to-day selection of specific investments.

Consequently, the full Trustee board is not involved in the investment managers' day-to-day method of operation and therefore cannot directly influence attainment of the performance target. Measurable objectives have been developed for the investment managers consistent with the achievement of the Fund's longer-term objectives at an acceptable level of risk.

The current investment manager structure, designed to give effect to the strategic asset allocation policy set out in section 9 above is as shown below:

Mandate	**Investment manager**
LDI and Global equities	LGIM
Corporate bonds and liquidity	BlackRock
Corporate bonds	M&G
Property	CBRE

The approximate proportion of the total Fund under the management of each investment manager at each Fund year end is disclosed in the Trustees' Annual Report.

11 Investment Managers' performance objectives

The Trustees have agreed a benchmark against which to assess the performance of each investment manager. The agreed performance target set by the Trustees for each of the investment managers is as shown below:

Investment manager	**Target return**	**Period over which performance assessed**
LGIM	To track the benchmark	Rolling 3 years
LGIM (LDI)	To track the LDI benchmark	Rolling 3 years
BlackRock	To track the various indices	Rolling 3 years
M&G	**+0.80%** pa above benchmark	Rolling 3 years
CBRE	**+0.5%** pa above benchmark	Rolling 3 years

12 Investment restrictions

In implementing the investment policy, the Trustees deem it appropriate, after considering the advice of the investment consultant, to establish certain investment restrictions. Some investment restrictions are universally applicable to the Fund as a whole as a policy position of the Trustees and other restrictions are reflected in the individual Investment Manager Agreements with the various investment managers, as detailed below:

12.1 Universal investment restrictions

12.1.1 No direct investment is permitted in the following:

- Securities issued by the sponsoring Company.
- Securities issued by associate companies of the Investment Manager.

12.1.2 The Trust Deed and Rules (Clause 8(4)) provides that the Trustees shall not make loans to any of the Employers or the Trustees or beneficiaries or guarantee loans to them and shall not invest in shares of the Principal Company or have an interest in any land or property occupied by any Employer or its subsidiaries.

12.1.3 Holdings in any one security (excluding pooled funds) should not exceed 7% of the value of the total Fund.

12.2 Individual investment manager restrictions

12.2.1 Investments into pooled funds (including bespoke pooled funds) that permit derivative transactions are permitted.

12.2.2 Other derivatives transactions should only be entered into for the purposes of hedging or efficient portfolio management and subject to the following limitations:

- The maximum gross futures position is 15% of the manager's portfolio.
- Any futures position should be unwound within six months.
- Only equity index and gilt futures should be used unless specifically agreed otherwise and documented in the formal Investment Management Agreement.

12.2.3 Investment in any one security (excluding pooled funds) should not exceed 10% of investment managers' portfolios.

12.2.4 No more than 5% may be invested in assets not readily realisable.

12.2.5 There should be no gearing of the portfolio.

12.2.6 There should be no investment in property other than through pooled funds.

12.2.7 Cash holdings must only be placed with the Trustees' appointed custodian or with those banks and/or deposit taking institutions agreed with the Trustees. No more than 5% of the assets of the portfolio may be deposited with any single bank or deposit taking institution.

13 Remuneration of investment managers and other advisers

13.1 The investment managers are remunerated on a regressive scale based on a periodic valuation of their portfolios. These scales are agreed with each investment manager and documented in each Investment Management Agreement. Fees in respect of the Defined Contribution Section investment funds are deducted directly from the individual members' funds.

13.2 With regard to transaction costs, the Trustees receive Ex-Post 'Costs and Charges' disclosures from the investment managers as provided for in respect of the Markets In Financial Instruments Directive (MiFID) 2.

13.3 As a general rule, the Trustees do not permit 'soft commissions' to be paid in respect of the Fund's transactions. Where, however, in relevant circumstances, an investment manager does need to enter into a dealing arrangement with a broker(s) for the provision of services essential to the effective and competitive execution of their investment management role, the Trustees require prior, and thereafter periodic, disclosure of those arrangements.

13.4 Other advisers (such as the actuary, investment consultant and legal adviser) are paid on a time-cost or project fee basis, not a commission basis.

14 Additional Voluntary Contributions ("AVCs") – facility for DB Section Members

Prior to closure of the Fund the Trustees also provided facilities for DB Section Members to pay AVCs into the Fund to enhance their benefits at retirement. AVCs invested prior to closure of the Fund remain invested in a range of funds. The Trustees offer a small range of funds with three external providers in which Members can choose to invest AVCs. The Trustees' objective is to offer funds which will provide a suitable long-term return for Members consistent with Members' reasonable expectations.

15 Monitoring and review of investment managers

15.1 The Trustees hold regular meetings with the investment managers to satisfy themselves that these managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund.

15.2 The continued appointment of the investment managers is reviewed by the Trustees from time to time, based on the results of their regular monitoring of performance and investment process and of the managers' compliance with the requirements of the Pensions Act 1995 (as updated by the Pensions Act 2004), concerning diversification and suitability, where relevant.

15.3 Northern Trust is appointed as an external independent performance monitoring agency to consider the Fund's and investment managers' performance against the benchmarks. A presentation of the performance is considered periodically by the Trustees.

16 Risk and risk management

After detailed consideration and subject to periodic review, the Trustees recognise a number of risks involved in the administration of the Fund and in the investment of the Fund's assets. The Trustees continue to monitor these risks which are as set out below:

16.1 Asset security risk

This is the risk that the Fund's assets are not securely held in the Fund's name.

16.2 Employer support risk

This is the risk that Employer may withdraw or substantially weaken its covenant with the Trustees to support the Fund. This is addressed through ongoing assessment and consideration of the employer's covenant.

16.3 Solvency risks and mis-match risk

This is the risk that the absolute level of assets or the type of assets held proves to be inadequate at any time. Solvency risk is addressed through the asset allocation strategy and through ongoing triennial actuarial valuations, and measured by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

16.4 Liquidity risk

This is the risk that there are insufficient liquid assets to pay benefits and/or too large a proportion of the Fund's assets invested in low returning liquid assets. This is also the risk that there is insufficient collateral in order to support the leveraged positions within the Liability Driven Investment ('LDI') portfolio.

16.5 Inappropriate assets risk

This is the risk that the assets held are inappropriate for the purpose intended (i.e. too highly concentrated, in an inappropriate currency, related to the Employer, etc.) and consequently, the Fund's investment objective is not achieved. This is addressed through constraints on the use of derivatives, gearing and other restrictions, as set out in the Investment Management Agreements.

16.6 Trustee risk

This is the risk that due to inadequate knowledge, training or advice the Trustees fail to carry out their responsibilities effectively.

16.7 Administration risk

This is the risk that the administration of the Fund's record keeping, benefit calculations and benefit payment systems prove to be inadequate.

16.8 Liability risk

This is the risk that the estimates of future liability levels prove to be materially inaccurate. This is addressed through the Secretary to the Trustees and the Pensions Department who estimate the monthly benefit outgo and ensures that sufficient cash balances are available.

16.9 Manager risk

This is the risk that an investment manager appointed to invest some of the Fund's assets fails to achieve their performance targets. This is addressed through the ongoing monitoring of the managers, and measured by reference to the actual deviation of each manager's returns relative to the objective and factors supporting each manager's investment process.

16.10 Implementation risk

This is the risk that the implementation of the strategic asset allocation is inefficient in terms of not maximising the return for the level of risk determined by the strategic asset allocation.

16.11 Currency risk

This risk is addressed through the investment manager guidelines and through the operation of selective currency hedging. This is measured by reference to the level of concentration in any one currency bloc.

16.12 Political risk

The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries, and measured by reference to the level of concentration in any one country.

16.13 Custodian risk

This risk is addressed through the ongoing monitoring of the custodial arrangements. Restrictions are applied as to who can authorise transfer of cash and the account to which transfers can be made.

16.14 Counterparty risk

This risk is addressed through the investment manager guidelines with respect to cash management.

Defined Contribution ('DC') Section

17 Investment options for members

The available investment options consist of a suite of three lifestyle strategies and fifteen self-select funds. The Drawdown Lifestyle strategy is the Default Option and the asset allocation approach for this strategy and other lifestyles is described further below.

18 Lifestyle - asset allocation strategy

The Trustees recognise that the key source of financial risk (in relation to members meeting their objectives) normally arises from asset class choice. The Trustees therefore retain responsibility for the investment fund options made available to the membership and takes expert advice as required from its professional advisers.

Three distinct asset allocation strategies are offered to members, which target different benefits at retirement, namely drawdown, annuity purchase and cash.

Each asset allocation strategy aims to provide members with the potential for higher levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take. This is achieved by automatically moving members' funds from higher expected return-seeking assets, which aim for long- term growth in excess of inflation, to a more broad-based asset mix with lower expected volatility as a member approaches their selected retirement age.

For members who do not wish to make an active decision regarding the investment of their assets, a Default Option has been put in place following consideration of the Fund's membership, the risks associated with investment and after taking advice from Aon Investments Limited. This Default Option is designed for members planning to leave their DC savings invested into retirement.

In setting the three lifestyle strategies, the Trustees have reviewed the extent to which the return on investments (after deduction of any charges relating to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile in line with what is believed most appropriate based on the Fund's member population.

The Trustees regularly review the appropriateness of the three lifestyle strategies and may make changes from time to time. Members are advised of any changes as appropriate.

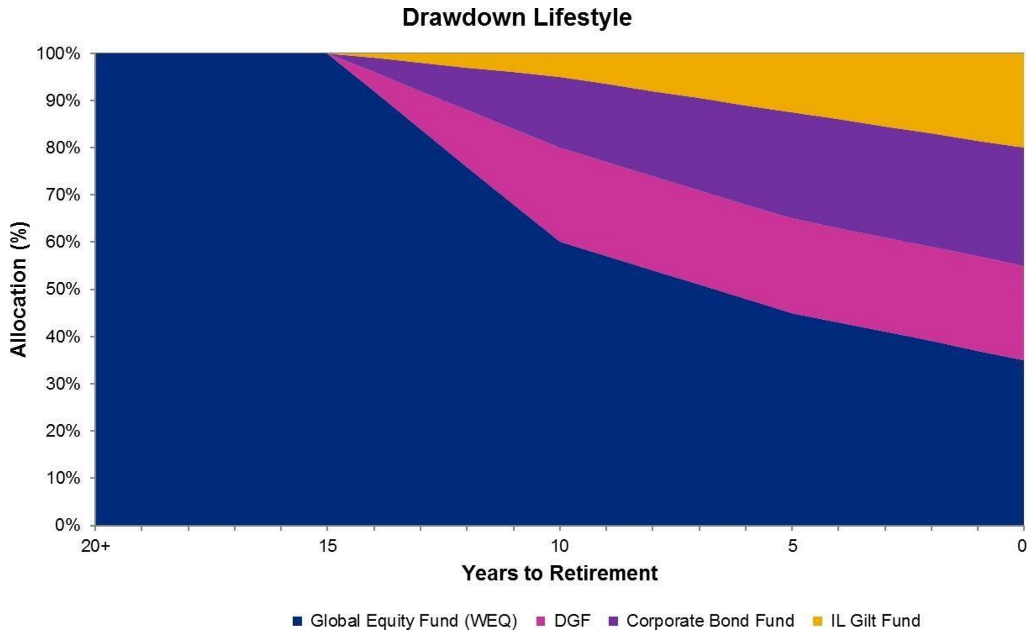
Details of the three lifestyle strategies are provided below.

18.1 Drawdown Lifestyle (The Default Option)

The Drawdown Lifestyle is designed for members planning to leave their DC savings invested into retirement.

The Drawdown Lifestyle initially invests in global developed and emerging equites until fifteen years before a member's target retirement age. During this 'growth' phase, the Drawdown Lifestyle aims to provide real growth (in excess of inflation) over the long term.

From fifteen years from a member's selected retirement age, lower risk investments are gradually introduced, as shown in the graph below. At a member's selected retirement date, the Drawdown Lifestyle invests the member's assets across a range of asset classes.

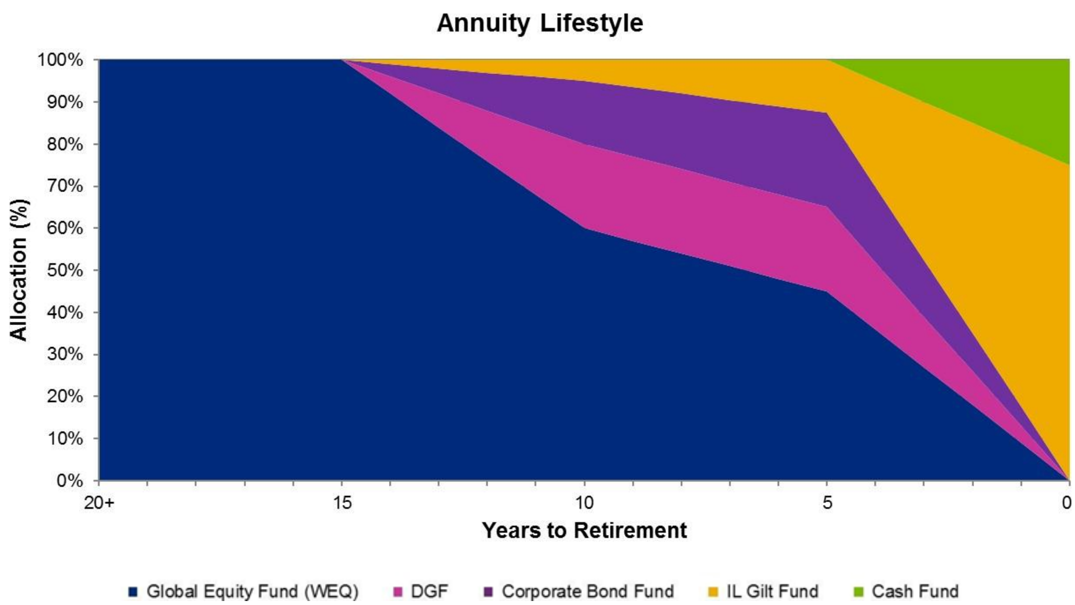


18.2 Annuity Lifestyle

The Annuity Lifestyle works on the principle that a member electing this option will take 25% as a cash lump sum and use the remainder of their account to purchase an annuity at retirement.

The Annuity Lifestyle has the same asset allocation until 5 years pre-retirement as the default Drawdown Lifestyle and the Cash Lifestyle. This aims to facilitate switching between the lifestyles as members approach retirement.

From fifteen years from a member's selected retirement age, lower risk investments are gradually introduced, as shown in the graph below. At retirement, the Annuity Lifestyle invests the member's assets 75% in index-linked gilts and 25% in cash, with the aim of protecting the value of the investments relative to movements in inflation linked annuity prices and cash.

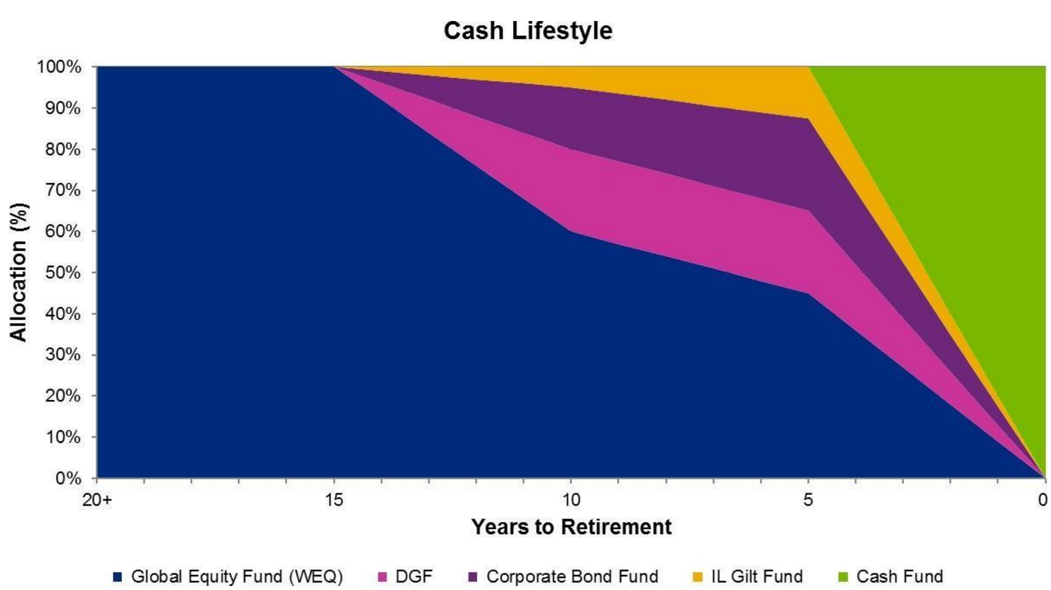


18.3 Cash Lifestyle

The Cash Lifestyle works on the principle that a member electing this option will take the whole of their account as a cash lump sum at retirement.

The Cash Lifestyle has the same asset allocation until 5 years pre-retirement as the default Drawdown and Annuity Lifestyles. This aims to facilitate switching between the lifestyles as members approach retirement.

At a member's selected retirement date, the Cash Lifestyle invests the member's assets 100% in the Cash Fund, with the aim of protecting the value of the investments relative to cash.



19 Default lifestyle strategy: rationale

The asset allocations of the lifestyle strategies, including the Default Option, have been constructed following analysis of the existing membership of the Fund. This analysis considered factors such as age, accumulated fund values, contributions and term to retirement, to identify different types of member to test alternative investment strategies.

The design of the Default Option offered to members reflects this analysis, having carried out multiple simulations of future economic and investment scenarios, and also taking into account the various options members will have regarding the way in which they draw their benefits in retirement.

The aim of the Default Option is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to global equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.

The outcomes of the Default Option and other lifestyle strategies will be reviewed periodically with reference to the manner in which members take their benefits from the Fund. This periodic review will also consider any significant changes in the demographic profile of the Fund's membership.

20 Choosing investments

The investment options offered to members are deemed appropriate, given the nature of the membership.

The Trustees have put in place the default arrangement described above, in acknowledgement that some members will be unwilling or feel unable to make investment choices. A choice of alternative asset allocation strategies, as well as self-select fund options, are offered so members can tailor their investment selections, to meet their requirements, if they so wish. Self-select funds are shown in Appendix 1.

The Trustees take professional advice when formally reviewing the investment manager or fund options offered to members.

21 Risk measurement and management

The Trustees recognise that members bear the investment risk. The Trustees take account of this in the selection and monitoring of the investment manager and the choice of funds offered to members.

The main areas of risk with this type of arrangement are as follows: -

21.1 Default risk – the risk of the default lifestyle strategy being unsuitable for the requirements of some members. The Trustees have provided two alternative lifestyle strategies and fifteen individual fund options, in addition to the default, and communicate to members the need to review their own requirements and circumstances before making any investment decisions.

21.2 Market risk – members' holdings are subject to currency, interest rate and other price risk associated with the underlying investments. These risks can impact the valuations of members' assets. The Trustees have selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. These risks are also considered when setting the lifestyle strategies. Further, the Trustees closely monitor performance of the funds available to members and receive an annual report from their investment adviser giving views on the funds' continuing appropriateness, and that of the underlying fund managers.

21.3 Annuity purchase – the rates applied when pension funds are used to buy annuities may be more expensive than anticipated and the more expensive annuity rates could coincide with a time when funds have lost value due to market fluctuations, as described above. For those members invested in the Annuity Lifestyle, members' funds will automatically be switched into index-linked gilts and cash as they near retirement, with the aim of protecting the real value of the benefits that will be provided.

21.4 Inflation – the absolute return on investments and hence the value of the pension policy may be diminished by inflation. To help mitigate this risk, a range of funds is offered including global developed equities, which aim to provide real growth (in excess of inflation) over the long term, and inflation linked gilts.

21.5 Assets may not be readily realisable – a member may want to use policy proceeds for benefits at a time when there may be a delay in realisation. The Trustees have elected not to offer funds where this is not an insignificant risk.

Due to the complex and interrelated nature of these and other risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the suitability of the lifestyle option at least triennially.

In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks at least annually, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

22 Expected return on investments

22.1 Equity

The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth.

22.2 Bonds and Cash

The long term returns on the bond and cash options are expected to be lower than returns on predominantly equity options.

Long dated bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement for those members wishing to secure an annuity with part or all of their DC benefits.

Cash funds will provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.

22.3 Diversified Assets

The long-term objectives on the Diversified Asset Funds are two-fold: to offer members return stream with a low level of volatility and to achieve returns in excess of cash.

23 Custody

Investment in pooled funds gives the Trustees rights to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is responsible for the appointment and monitoring of the respective fund's custodian.

24 Realisation of investment

The Trustees recognise that there is a risk of holding assets that cannot easily be realised should the need arise. The majority of assets held on behalf of members are realisable at short notice (through the sale of units in pooled funds).

25 Activism and the exercise of rights attaching to investments

As the assets are held indirectly through unit linked funds it is the responsibility of the underlying investment manager of each of the pooled funds to exercise the rights attaching to the investments. The Trustees will review from time to time the underlying investment managers' principles and how these have been applied in exercising these rights.

26 Fee structure for investment manager

The investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment manager and some administration charges) are met by the members by deduction from the unit price.

27 Investment adviser

Aon Investments Limited has been selected as investment adviser to the Trustees in respect of the DC section. It operates under an agreement to provide a service designed to ensure that the Trustees are fully briefed both to take the decisions it is equipped to do so after training and advice and to monitor those decisions that it delegates. Aon Investments Limited is currently paid on a time-cost basis with a fixed fee in place for certain regular pieces of work.

DB and DC Sections

28 Corporate Governance, Socially Responsible Investment ("SRI") and Voting

The investment managers are required to report to Trustees on their compliance with the UK Stewardship Code, (which replaced the Institutional Shareholders Committee Principles in July 2010), SRI and voting issues as part of their regular reporting to Trustees.

The Trustees expect investment managers to make available regular reports in these areas below.

28.1 Trustees' Policy on Corporate Governance

The Trustees recognise their responsibility for securing the value of the Fund's investments and the role that proper corporate governance can play in protecting and enhancing shareholder returns.

The Trustees discharge their responsibility to monitor governance, exercise voting responsibility, participate and if necessary intervene in the companies in which the Fund invests through requiring their appointed investment managers:

- To invest with regard to the proper governance of the companies involved.
- To keep governance at companies in which the Fund invests under review.
- To exercise the voting powers attached to the Fund's investments to protect or enhance good governance where this should improve returns and where voting does not damage or threaten shareholder value.
- To intervene on the Fund's behalf where value is threatened by unacceptable governance standards or where direct and active intervention on governance issues may be expected to lead to improved returns.
- To report on material issues of corporate governance relating to the Fund's investments to the Trustees annually.

The Trustees recognise that good governance is in many respects a matter of judgment and urges its investment managers to use proper judgment on the Fund's behalf. It should not be forgotten that the ultimate cost of corporate governance activity devolves to the Fund and therefore its Members. For this reason, the Trustees look to the investment managers to focus more on value-adding activity and on issues of principle, and less on routine voting and micro-management which do little to further the long-term interests of the Members.

28.2 Voting

The Trustees' policy is to delegate responsibility for the exercise of rights (including voting rights) attached to investments to the investment managers. Where intervention, above and beyond voting at company meetings, to protect or enhance the interests of the Fund is recommended, the Trustees should be informed of the action to be taken.

28.3 Socially Responsible Investment

In setting the Fund's investment strategy for both DB and DC sections, the Trustees' primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

28.3.1 Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustees have delegated the day to day stewardship activities (including voting and engagement with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings) to the Fund's investment managers and expect them to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets. However, the Trustees may invest in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making; and
- have knowledge of the SRI policies of the companies in which they invest and, in particular, understand the effect of these policies on the company value; and
- exercise the Trustees' voting rights in relation to the Fund's assets. The Trustees regularly review the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

28.3.2 Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustees do not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

The Trustees have made the LGIM Global Ethical Index Fund and the HSBC Islamic Global Equity Index Fund available to DC members who would like to invest in a fund with these specific considerations. The underlying funds that make up the default fund and other self-select funds should not apply personal ethical or moral judgments as the sole basis for an investment decision.

29 Arrangements with Asset Managers

The Trustees monitor the Fund's investments annually to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- Make decisions based on assessments about medium- to long-term financial and non-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 are supported in this monitoring activity by their investment advisors. The Trustees share the policies, as set out in this SIP, with the Fund's asset managers and requests that the asset managers review and confirm whether their approach is in alignment with the Trustees' policies. Before the appointment of a new asset manager, the Trustees' investment advisors will share the Trustees' investment beliefs, as set out within this SIP, requesting that any newly appointed investment manager confirm adherence with these policies prior to appointment.

Where possible the Trustees will seek to amend documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example, if the Fund invests in a collective vehicle, then the Trustees will express their expectations to the asset managers 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 asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset 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 asset manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with the asset managers, however, the Trustees appoint their managers with an expectation of a long-term partnership which encourages active ownership of assets for the medium to long-term, which serve to align interests with the Trustees' policies. The continued appointment for all asset managers will be reviewed periodically, and at least every three years.

30 Cost Monitoring

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

As detailed above the Investment Managers are typically paid ad valorem fees for their services based on the value of assets under management. This is in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

The Trustees receive annual cost transparency reports from the Fund's DC platform provider, Aegon, as part of the annual Chair Statement preparation process and from 2020 begun receiving these for the DB section too. These reports present information in line with prevailing regulatory requirements. These reports will then be supplemented, where practically possible on an annual basis, with the following information:

- The fees paid to the manager of each fund, where available;
- the amount of portfolio turnover costs (transaction costs) incurred for each fund;
- any additional charges incurred, where applicable, with these being considered in respect of each fund in isolation, and relative to peers; and
- the impact of costs on the investment return achieved by members.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers.

The Trustees expect portfolio turnover for passively managed funds to be relatively low, reflecting the passive investment objective of the funds. For actively managed funds, the Trustees typically expect portfolio turnover to be higher compared with passively managed funds, although considers portfolio turnover in the context of each asset manager's stated philosophy and investment approach. In assessing the appropriateness of the DB portfolio turnover costs at an individual manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate. In assessing the appropriateness of the DC portfolio turnover costs, the Trustees will consider transaction costs as reported by underlying managers. The Trustees' investment advisors will support the Trustees in monitoring the level of portfolio turnover of all the asset managers appointed.

Having reviewed each fund's costs, the Trustees, with the support of their investment advisors, will then consider whether any action is required. In making this decision consideration will be given to the total assets invested in each fund, as well as the Trustees' resources, looking to allocate the Trustees' resources most efficiently and to the benefit of the member population.

31 Evaluation of Performance and Renumeration

The Trustees assess the performance of managers on a rolling three and five year basis against their specific benchmark and targets. The remuneration paid to the managers (where known), and fees incurred are reviewed annually by the Trustees. The Trustees carry out a more detailed review of these costs and performance trends triennially.

32 Reporting to Members

The Trustees publish the Statement of Investment Principles and the Statement of Funding Principles on the 'UK Pensions' section of the company intranet. A Summary Funding Statement is sent to Members annually and this refers to the SIP and how a copy can be obtained. A magazine, which includes a summary of the Fund's Annual Report, is sent to Members annually.

Appendix 1 – DC fund options

This Appendix provides information on the fund options that are used in the three lifestyle strategies and available through the self-select fund range.

Fund	Lifestyle/ Self-Select	Benchmark	Target
Global Equity Fund (WEQ)	Both	42.5% MSCI World ESG Focus Low Carbon Screened Index 21.25% FTSE RAFI Developed 1000 QSR TR Net Index in GBP 21.25% MSCI World Minimum Volatility (GBP Otimized) Index 15% MSCI Emerging Markets Gross Returns in GBP	To perform in line with the benchmark
Aegon BlackRock 50.50 Global Equity Index	Self-Select	50% FTSE All Share Index 50% Fixed Overseas Weights (16.7% Continental Europe, 16.7% North America, 8.3% Japan, 8.3% Pacific Basin)	To perform in line with the benchmark
Aegon BlackRock UK Equity Index	Self-Select	FTSE All Share Index	To perform in line with the benchmark
Aegon BlackRock US Equity Index	Self-Select	FTSE All-World USA Index	To perform in line with the benchmark
Aegon BlackRock European Equity Index	Self-Select	FTSE All World Developed Europe ex UK	To perform in line with the benchmark
Aegon BlackRock Japanese Equity Index	Self-Select	FTSE All World Japan Index	To perform in line with the benchmark
Aegon BlackRock Pacific Rim Equity Index	Self-Select	FTSE All World Developed Asia Pacific ex-Japan Index	To perform in line with the benchmark
Aegon BlackRock Emerging Markets Equity Index	Self-Select	MSCI Emerging Markets Index	To perform in line with the benchmark
Aegon LGIM Ethical Global Equity Index	Self-Select	FTSE4Good Global Equity Index	To perform in line with the benchmark
Aegon HSBC Global Islamic Index Fund	Self-Select	Dow Jones Islamic Market Titans 100	To perform in line with the benchmark
Aegon BlackRock Corporate Bond All-Stocks Index	Both	iBoxx £ Non-Gilts Index	To perform in line with the benchmark
Aegon BlackRock Over 15 Year Corporate Bond Index Fund	Self-Select	iBoxx Sterling Non-Gilts *Over 15* Years *Index*	To perform in line with the benchmark

Index-Linked Gilt Fund (WEQ)	Both	FTSE Actuaries UK Index-Linked Gilts up to 5 Years (16.5%) FTSE UK Gilts Index-Linked Over 5 Years Index (83.5%)	To perform in line with the composite benchmark
Aegon BlackRock Dynamic Allocation Fund	Both	Bank of England Base Rate Index - GBP	To outperform benchmark by +3% p.a. over 3 year rolling periods
Aegon BlackRock Cash	Both	SONIA (Sterling Over Night Index Average)	To perform in line with the benchmark