

PGL Pension Scheme **Statement of Investment Principles**

Defined Contribution Section

The investments described in this section of the Statement of Investment Principles cover options available for members' benefits held in the Defined Contribution ('DC') section of the Scheme in addition to the investments available to members with DB Section AVCs which themselves are categorised as DC benefits.

INVESTMENT MANAGEMENT ARRANGEMENTS

The Trustee has decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Aon Investments Limited (AIL).

The available fund range consists of a number of white-labelled blended funds. The underlying managers and structure of each blended fund is delegated to the investment manager, namely AIL. A small number of additional funds are also available outside of the delegated DC funds.

ASSET ALLOCATION STRATEGY

The Trustee recognises that the key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustee therefore retains 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 return-seeking assets, which aim for long-term growth in excess of inflation, to a more broad-based and lower risk asset mix 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 Scheme membership, the risks associated with investment and after taking advice from Aon Solutions UK Ltd. This Default Option assumes members draw-down income at retirement.

In setting the three asset allocation strategies, the Trustee has 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 given the needs of members.

The Trustee regularly reviews the appropriateness of the three asset allocation strategies and may make changes from time to time. Members are advised accordingly of any changes. Details of the three asset allocation strategies are provided below.

Drawdown Lifestyle Strategy (The Default Option)

Objectives

The objectives for the default strategy are as follows:

- Aim for significant long term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with how members may take their benefits when they retire.

The objectives of the fund managers in respect of the underlying funds used within the strategy, the kinds of investments held and the balance between them, are set out below and in the Appendix.

Other investment policies relating to the default strategy are set out in the sections below.

Taken together, the objectives and policies the Trustee has adopted in respect of the default strategy, following analysis of the membership, are expected to meet the needs of members, by providing the following:

- The opportunity to increase the value of their benefits with investment growth.
- An investment which manages risk in an appropriate and considered way.
- A portfolio commensurate with how members may take their benefits when they retire.

The Drawdown Lifestyle Strategy works on the principle that a member electing this option will transfer their account to a specialist income drawdown arrangement.

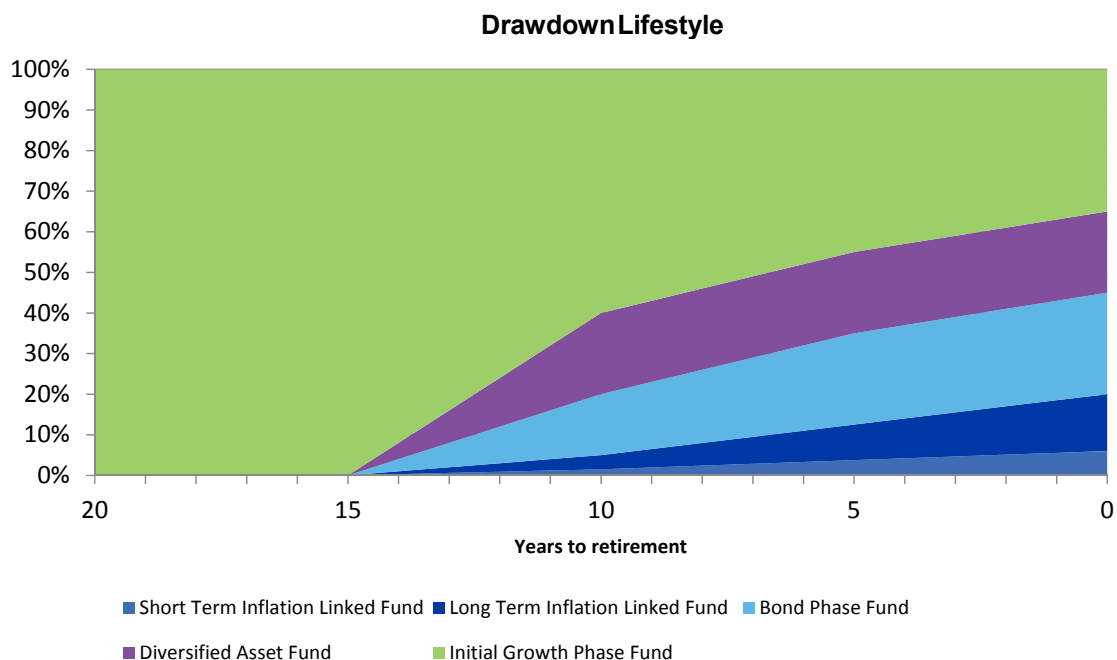
Strategy

The Drawdown Lifestyle Strategy initially invests wholly in the Aon Managed Initial Growth Phase Fund until fifteen years before a member's selected retirement age.

From fifteen years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, through the Aon Managed Diversified Asset Fund, Aon Managed Bond Phase Fund, Aon Managed Short Term Inflation Linked Fund and Aon Managed Long Term Inflation Linked Fund.

At a member's selected retirement date, the Drawdown Lifestyle Strategy invests the member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

This structure is summarised in the chart below.



Annuity Lifestyle Strategy

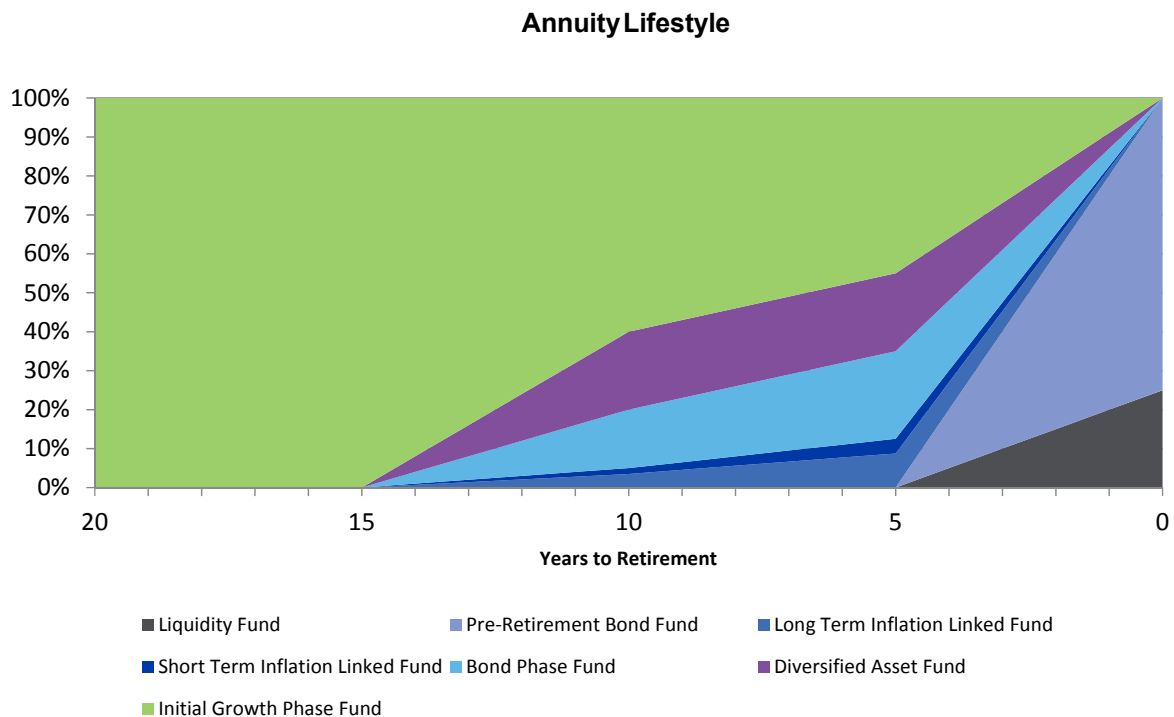
The Annuity Lifestyle Strategy works on the principle that a member electing this option will take the maximum tax free cash sum and use the rest of their account to purchase an annuity at retirement. The objectives of the

Strategy are as stated above for the Default Option.

The Annuity Lifestyle Strategy is identical to the Drawdown Lifestyle Strategy until five years before retirement. From five years before a member's selected retirement age their account is moved into lower risk assets through the Aon Managed Pre-Retirement Bond Fund and the Aon Managed Liquidity Fund.

At a member's selected retirement date, the Annuity Lifestyle Strategy invests the member's assets with 75% in the Aon Managed Pre-Retirement Bond Fund and 25% in the Aon Managed Liquidity Fund with the aim of protecting the value of the investments relative to movements in annuity prices and cash.

This structure is summarised in the chart below.



Cash Lifestyle Approach

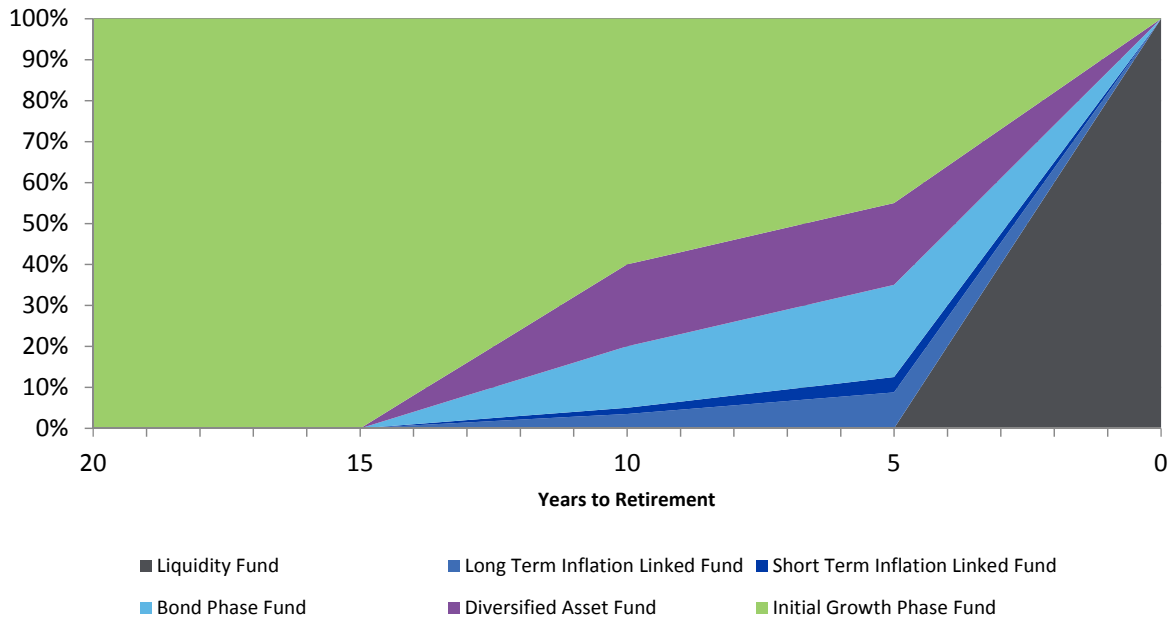
The Cash Lifestyle Strategy works on the principle that a member electing this option will take the whole of their account as a cash lump sum at retirement. The objectives of the Strategy are as stated above.

The Cash Lifestyle Strategy is identical to the Drawdown Lifestyle Strategy until five years before retirement. Five years before a member's selected retirement age their account is moved into cash, namely the Aon Managed Liquidity Fund.

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

This structure is summarised in the chart below.

Cash Lifestyle



CHOOSING INVESTMENTS

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

The Trustee has 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.

Day to day management of the funds including the selection of the underlying investment managers and asset allocation structure is delegated to AIL under Aon's Delegated DC Services. The selection of stocks is delegated to the underlying investment managers used within each fund, as chosen by AIL.

The Trustee takes professional advice when formally reviewing the investment manager or fund options offered to members. The range of investment options is set out in the table in Appendix 1.

RISK MEASUREMENT AND MANAGEMENT

The Trustee recognises that members take the investment risk. The Trustee takes 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: -

Default option risk - the risk of the default option being unsuitable for the requirements of some members. The Trustee has provided additional strategies and individual fund options in addition to the default and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.

Market risk - the Scheme is subject to currency, interest rate and other price risk associated with the underlying investments. These risks can impact the valuations of the funds. The Trustee has selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies. Further, the Trustee closely monitors the performance of the funds and receives formal quarterly reports from the investment adviser giving views on their continuing appropriateness, and that of the underlying fund managers.

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 Strategy, members' funds will automatically be switched into the Aon Managed Pre-Retirement Bond Fund as they near retirement, with the aim of protecting the value of the benefits that will be provided.

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 growth funds which aim to provide real growth (in excess of inflation) over the long term.

Credit risk – the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Scheme is exposed to arises from holdings in the underlying funds, through the investment in the Aegon platform and given the management by AIL. The investment adviser has provided advice on the strategies and investment options and on AIL as investment manager. This has included information on the security of the Scheme assets in relation to credit risk.

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 (mainly related to investments in property based funds). The fund options available, however, enable members to link their policies to more liquid investments as they approach retirement.

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

In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

CUSTODY

Investment in pooled funds gives the Trustee 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 custodian of the fund's assets.

EXPECTED RETURN ON ASSETS

Over the long-term the Trustee's expectations are:

- for units representing "growth" assets (UK equities, overseas equities, multi-asset funds and property), to achieve a real return (in excess of inflation) over the long term. The Trustee considers short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long-term equities will outperform the other major asset classes
- for units representing monetary assets (UK bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities
- for units representing inflation linked assets (UK index-linked bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing real annuities that increase in line with inflation
- for units representing cash, to protect the capital value of the investment and achieve a rate of return in line with money market interest rates

In setting the default strategy, the Trustee has 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 default strategy, as stated earlier in this document. Returns achieved by the investment manager are assessed against performance benchmarks set by the Trustee in consultation with its investment adviser and the investment manager.

REALISATION OF INVESTMENT

The Trustee recognises 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).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG') CONSIDERATIONS

The Trustee considers the risk that ESG factors, including climate change, negatively impact the value of investments held as being financially material. The Trustee considers these risks by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their activities and performance.

When choosing investments, the Trustee and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The fund manager's duties include:

- realisation of investments;
- taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.

For direct investments in pooled funds, the Trustee expects the fund manager of the underlying pooled fund to carry out the above duties and should give effect to the principles in this statement so far as is reasonably practicable.

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 ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Stewardship – Voting and Engagement

The Trustee recognises the importance of its 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 Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

AIL on behalf of the Trustee regularly reviews the continuing suitability of the appointed investment 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 investment managers.

The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions, and will include this information within the Implementation Statement. The Trustee will review the alignment of its 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 Trustee's 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 Trustee through AIL 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 Trustee may engage with AIL, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustee recognises that in relation to the arrangements with AIL, and correspondingly the underlying asset managers, it is important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that the investment manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives quarterly reports and verbal updates from AIL on various items including the investment strategy, the default investment strategy and wider fund range, 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 and assesses the investment managers over the long-term.

In line with the required actions from the Department of Work and Pensions, on an annual basis the Trustee will produce an Implementation Statement outlining how the Trustees have adhered to the policies in this document which will also be included in the annual reports and accounts.

The Trustee believes 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 Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, AIL on behalf of the Trustee 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 will be reviewed if material causes for concern are identified.

COST TRANSPARENCY

The Trustee is aware of the importance of monitoring its investment managers' 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 a number of other costs incurred by its investment managers that can increase the overall cost incurred by its investments, for example, additional expenses and trading costs of buying and selling funds.

AIL on behalf of the Trustee collects annual cost transparency reports covering all of its investments and asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it's paying its investment managers.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year and from which transaction costs are incurred. The Trustee accepts 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 as long as it is consistent with the expected portfolio turnover for the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee evaluates the (net of all costs) performance of its investment managers relative to their benchmark and respective objectives on a regular basis over quarter, one, three and five-year periods via their investment monitoring reports and updates from the investment managers. The Trustee also reviews the remuneration of the Scheme's investment managers, and fees incurred by third parties appointed by the investment managers, annually to ensure that these costs are reasonable in the context of the kind and balance of investments held.

INVESTMENT ADVISER

Aon Solutions UK Limited has been selected as investment adviser to the Trustee. It operates under an agreement to provide a service designed to ensure that the Trustee is 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 Solutions UK Limited is currently paid on a time-cost basis with a fixed fee in place for certain regular pieces of work.

The adviser, Aon Solutions UK Limited has the knowledge and experience required under section 36(6) of the Pensions Act 1995 and is regulated by the Financial Conduct Authority.

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.

Appendix 1 – DC fund options

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

The Trustee has decided to implement the Scheme's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider, available fund range and day to day management of the funds to Aon, through Aon Investments Limited (AIL).

Investment Management Arrangements

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

Fund	Benchmark	Target
Initial Growth Phase Fund	90% MSCI All Country World Index 7% FTSE EPRA/NAREIT Developed Index 1.5% ARE/IPD UK Quarterly All Balanced Property Index 1.5% FTSE Developed Core Infrastructure Index	To outperform the benchmark
Diversified Asset Fund	Sterling Over Night Interest Average (SONIA)	To outperform the benchmark by 3.25% pa over rolling market cycle
Bond Phase Fund	50% 3-month LIBOR GBP 50% iBoxx Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 1.5% pa over rolling three year periods
Short-Term Inflation Linked Fund	FTSE UK Gilts Up to 5 Year Index-Linked Gilts Index	To perform in line with the benchmark
Long-Term Inflation Linked Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	To perform in line with the benchmark
Pre-Retirement Bond Fund	Manager bespoke	To perform in line with the benchmark
Liquidity Fund	7 Day LIBID Rate	To perform in line with the benchmark
Global Equity Fund (Passively Managed)	MSCI All Country World Index	To outperform the benchmark
Active Global Equity Fund	MSCI All Country World Index as measured on a total return basis with net dividends reinvested.	To outperform the benchmark
Property & Infrastructure Fund	70% FTSE EPRA/NAREIT Developed Index 15% BNYM CAPS pooled fund survey median 15% FTSE Macquarie Global Infrastructure 100 Index	To outperform the benchmark
Corporate Bond Fund	iBoxx Sterling Non-Gilt All Stocks Index	To outperform the benchmark by 1.5% pa over rolling three year periods
UK Equity Fund	FTSE All Share (GBP) as measured on a total return basis with net dividends reinvested.	To perform in line with the benchmark
Ethical Global Equity Fund	FTSE4Good Global Index	To perform in line with the benchmark