Virgin Money Retirement Savings Plan Statements of Investment Principles

September 2025

Contents

Introduction

The law requires the Trustee to produce a formal "Statement of Investment Principles" for the Plan's default arrangements and its other investment options. This Statement sets out what the Trustee aims to achieve with the investment options and its investment policies which guide how members' money is invested.

This Statement of Investment Principles for the Virgin Money Retirement Savings Plan (the "Plan") must cover several technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Plan's Auditors. These points, as far as possible, are shown separately in "for the record" boxes.

The Trustee will publish on-line the Statement of Investment Principles and an Implementation Statement each year describing how the policies and practices described in the Statement of Investment Principles have been implemented during the last year.

Statement of Investment Principles

The Trustee's Statement of Investment Principles for the default arrangements* and other investment options include:

1 The aims and objectives for the default arrangements** and the other investment options**; and

2 The Trustee's investment beliefs, views on expected risks and returns and policies on responsible investing***.

Appendix (which does not form part of the Statement)

Summary of the approach to investment governance

For the record

* As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015

** In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

*** In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

The Trustee has taken proper written advice and consulted the Employer in the preparation of these Statements of investment Principles.

These Statements will be reviewed at least every three years or more frequently as required by the Regulations.

For and on behalf of the Trustee of the Scheme

Name	Signed	Date
BESTrustees Limited		

1 Aims and objectives for the default arrangements and other investment options

The Plan has a number of “default arrangements” for the purposes of The Occupational Pension Scheme (Charges and Governance) Regulations 2015.

Default Arrangement for Auto-enrolment – Drawdown Lifestyle (Default) Strategy

Reasons for the Default Arrangement

The Trustee has decided that the Plan should have a default investment arrangement because:

- The Plan is a qualifying plan for auto-enrolment purposes and so must have a default arrangement;
- It should be easy to become a member of the Plan and start building retirement benefits without the need to make any investment decisions; and
- A majority of the Plan’s members are expected to have broadly similar investment needs.

Choosing the default arrangement and other investment options

The Trustee believes that understanding the Plan’s membership is essential to designing and maintaining a default arrangement which meets the needs of the majority of members.

The Trustee has taken into account a number of aspects of the Plan’s membership including:

- The members’ age (members’ term to retirement) and salary profile;
- The likely sizes of pension accounts at retirement;
- The level of income in retirement that members are likely to need;
- Previous sources of retirement income;
- Members’ potential, and likely, benefit choices at and into retirement; and
- The annual sweep of deferred members out of the Plan to the Virgin Money section of the Fidelity Master Trust.

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Objectives for the Default Arrangement

The main objective of the Default Arrangement is to provide good member outcomes at retirement.

The Trustee believes that it is in the best interests of the majority of members to offer a default arrangement which:

- Manages the main investment risks members’ face during their membership of the Plan;
- Maximises investment returns relative to inflation while taking an appropriate level of risk for the majority of members who do not make investment choices;
- Takes into account financially material considerations including environmental, social and governance considerations including climate change over an appropriate timescale; and
- Reflects members’ likely benefit choices at retirement.

The Default Arrangement

The default arrangement is therefore:

A lifestyle strategy which targets members who are expected to use Flexible Access Income Drawdown for a significant part of their retirement savings during their retirement.

The default lifestyle strategy gradually moves investments between different funds to manage the levels of expected investment risks and returns at each stage of membership of the Plan.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 2.

Further Default Arrangements under The Occupational Pension Scheme (Charges and Governance) Regulations 2015

Other default arrangements

Certain other arrangements and funds used by the Plan can be classified as default arrangements for the purposes of The Occupational Pension Scheme (Charges and Governance) Regulations 2015. These arrangements are:

Cash Withdrawal Lifestyle

This lifestyle strategy targets members who are expected to take a cash withdrawal at retirement or take a series of smaller lump sums over a few years. This strategy targets a lower "risk" strategy at retirement designed for members wishing to take their retirement benefits in cash or wishing to be invested cautiously immediately before retirement.

This lifestyle strategy gradually moves investments between different funds to manage the levels of expected investment risks and returns at each stage of membership of the Plan.

This strategy is suitable as it is a lifestyle strategy which targets growth in the earlier part of a members' career and latterly switches investments into bonds and cash. In particular, this strategy utilises an absolute return bond fund in the last 5 years prior to target retirement age. This type of defensive bond based fund is managed to preserve capital and avoid losses where possible. This type of fund is of particular value in the period prior to retirement when retirement accounts can have grown to substantial amounts and where time is limited to recover from any large market losses prior to retirement.

This strategy is designed to reduce volatility closer to retirement and is also aligned to members accessing their retirement accounts entirely in cash at retirement or in a series of cash withdrawals over a few years.

Some members were automatically switched into this strategy on 9 November 2020 following a review of the Plan's lifestyle strategies therefore this strategy is considered a "default arrangement".

Annuity Lifestyle

This lifestyle strategy targets members who are expected to take some of their benefits as cash and use the rest to buy an annuity at retirement.

This default lifestyle strategy gradually moves investments between different funds to manage the levels of expected investment risks and returns at each stage of membership of the Plan.

This strategy is suitable as it is a lifestyle strategy which targets growth in the earlier part of a members' career and latterly switches investments into bonds and cash as the member approaches their target retirement age. This is designed to reduce volatility closer to retirement and also aligned to broadly match the movement in annuity prices.

Some members were automatically switched into this strategy on 9 November 2020 following a review of the Plan's lifestyle strategies, therefore this strategy is considered a "default arrangement".

Default Arrangements following fund suspension or closure

From time to time the platform provider or fund manager may suspend trading in a fund due to market conditions or decide to close a fund for commercial or regulatory reasons. This would be outside the Trustee's control.

Should these circumstances occur, it may be necessary for the Trustee to redirect contributions to an investment option which differs from some members' original choice. The Trustee will ensure that any alternative investment option adopted in this manner is consistent with the charge cap for default arrangements.

For example, in the event that buying or selling units in a fund chosen by members is suspended for any reason, the Trustee may decide that it is in the members' best interests to temporarily redirect contributions to another investment option. Once such a suspension has been resolved, the Trustee may arrange for the re-investment of contributions into the investment option originally chosen by members or notify members of the resolution and give them the option to redirect contributions back to the fund of their original choice or continue to invest contributions in the fund to which contributions were temporarily diverted or direct contributions to another fund of their choice. Please note that the above scenario is an example only, the Trustee will consider each case on its own merits and determine which course of action is the most appropriate at that time.

In all such circumstances, the Trustee and/or platform provider will notify members of the issue and steps being taken to resolve it. Where necessary, these will be described in the separate "Investment Operation Document" document.

Full details of the current and other default arrangements including any default arrangements following fund suspension or closure are provided in the separate "Investment Operation Document" for the default arrangement and other investment options.

Reasons for the investment options outside the default arrangements

In addition to the default arrangements, the Plan offers members a choice of investment options because:

- While the default arrangements are intended to meet the needs of a majority of the Plan's members, they may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives;
- Members may have different beliefs, e.g. ethical or faith-based, which they wish to reflect in their investment choice, or are vital to their participation in the Plan; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

Choosing the investment options

Membership analysis

The Trustee believes that understanding the Plan's membership is important to maintaining an appropriate range of investment options and have taken into account a number of aspects including:

- The members' age (members' term to retirement) and salary profile;
- The likely sizes of members' pension accounts at retirement;
- Previous sources of retirement income;

- Members’ retirement dates and likely range of benefit choices at retirement;
- The levels of investment risk and return members may be willing to take;
- The degree to which members are likely to take an interest in where their contributions are invested; and
- The number of members who are likely to want ethical or faith-based investment.

Member behaviour

The Trustee has also considered the results of academic research and market surveys into how members choose where to invest their pension account which in summary shows:

- Too little choice is viewed negatively by members;
- Too much choice can prove confusing and deter members from taking action; and
- Some members will not regularly review their choices.

Costs of investment options

The investment costs are borne by members and so a balance needs to be struck between choice and costs.

Objectives for the other investment options

The Plan offers members a choice of investment options as an alternative to the default arrangements.

Self-select funds

The main objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension accounts are invested;
- Complement the objectives of the default arrangement for auto-enrolment and the alternative lifestyle options targeting annuity purchase and cash withdrawal;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches including responsible investing, and a faith-based fund; and
- Help members more closely tailor how their pension accounts are invested to their personal needs and attitude to risk.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members.

Full details of the current investment options outside the default arrangements are provided in the separate “Investment Operation Document for the default arrangement and other investment options”.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds used in the default arrangements and other investment options are consistent with the Trustee’s objectives for all investment options. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 2.

2 Investment beliefs, risks and policies

Introduction

This section sets out the investment beliefs and policies which guide the Trustee's decision making.

For the record

These investment beliefs have been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019.

Risks

Principal investment risks

The Trustee believes that the three principal investment risks most members will face are:

Risk	Description and approach to managing risk
1) Inflation	Investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits. Further from retirement, this risk should be countered by funds investing in equities and other growth orientated assets which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.
2) Benefit conversion	Investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits. For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.
3) Volatility/Market	Falls in fund values prior to retirement lead to a reduction in retirement benefits. Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Other investment risks

The Trustee believes that other potential investment risks members may face include:

Active management risk – a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.

Currency risk – changes in exchange rates will impact the values of investments outside the UK when they are being bought or sold.

Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.

Default risk – for bond funds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.

Liquidity risk – funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.

Counterparty risk – the financial institutions holding a fund's assets may get into financial difficulties leading to a reduction in a fund's value.

Market risks - Shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term.

This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

Factor based investing – equity investments may show several factors (supported by academic research) that may be expected to deliver stronger returns over the longer-term, but which may show increased risks (including timing) in the shorter-term.

Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

Legislative/Regulatory - Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium to longer-term. Changes in Regulations can also affect the operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter-term.

Managing risks

The Trustee develops and maintains a framework, having taken advice from their investment advisor for assessing the impact of investment risks, including financially material considerations, on long-term investment returns. As part of this, the Trustee monitors the age profile (members' term to retirement) of the Plan's membership to arrive at an appropriate timescale.

Time horizon

The Trustee monitors the age profile (members' term to retirement) of the Plan's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks:

- The Plan is open to new entrants;
- As a result, investment risks need to be considered over a 30 to 40 year time horizon.

Principal Investment risks

The lifestyle options manage the three main investment risks as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of a majority of members.

Other investment risks

The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Plan. The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default. The Trustee believes that the Plan's investment options are appropriate for managing the risks typically faced by members.

Ability to invest/disinvest promptly

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

Financially material considerations

The Trustee recognises that:

- The consideration of financially material considerations, including ESG factors and climate risk, over the appropriate time horizon are relevant at different stages of the investment of members' defined contribution benefits; and
- The financial materiality of any factor, including ESG factors and climate risk, may be relevant to different degrees according to the asset class or classes in which a fund invests.

The Trustee will consider financially material considerations, including ESG factors and climate risk in the development and implementation of the Plan's investment arrangements for the purposes of determining the selection, retention and realisation of investments where there is sufficient data or evidence to allow them to systematically do so. The Trustee expects that the investment platform provider will engage with their investment managers to ensure they take such considerations into account within their decision making.

The Trustee has explicitly acknowledged the relevance of ESG factors including climate change in framing their investment beliefs set out below and the broader implementation of these beliefs.

Implementation

The Plan uses standard pooled funds offered by the investment platform provider. This gives access to a range of funds while keeping down costs to members, but this means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustee nevertheless seeks to manage financially material considerations to protect long-term returns by:

- Choosing an investment platform provider who has adopted effective processes for the selection and governance of fund managers' policies and practices for financially material considerations including climate change;

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and whether the Trustee is satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds (where the fund manager decides where to invest), expecting the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustee recognises that the choice of benchmark dictates the assets held by each fund and that the investment manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark index (which may or may not include ESG factors) and which the Trustee believes will deliver appropriate risk adjusted returns in line with its current investment strategy. The Trustee will review periodically the choice of fund and index benchmarks used;
- For all funds, expecting fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Preferring fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

Fund managers and platform provider are expected to take financially material considerations into account to the extent that they are in the financial interests of members and consistent with the Plan's investment objectives.

Expected returns on investments

The Trustee believes that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' charges into account):

Asset class	Expected long-term investment returns relative to inflation	Expected shorter- term volatility in fund values
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Long-dated Bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

Multi-asset funds – invest in a varying mix of asset classes which should deliver positive returns relative to inflation over the longer-term, with shorter-term volatility lower than equities.

Responsible Investment (i.e. funds selecting assets to mitigate ESG and/or climate change risks and also funds selecting assets positively demonstrating strong ESG and or climate change credentials) – the strategy of these funds is expected to give a better risk adjusted return over the long-term than the broader market for the type of assets involved (e.g. equities).

Market beta (i.e. funds investing in assets with certain characteristics) – the strategy of these funds is intended to give a better return over the long-term than the broader market for the type of assets involved (e.g. equities).

Sustainable Investment (i.e. funds selecting assets to mitigate ESG and/or climate change risks and also funds selecting assets positively demonstrating strong ESG and or climate change credentials) – the strategy of these funds is expected to give a better risk adjusted return over the long-term than the broader market for the type of assets involved (e.g. equities).

Investment beliefs

The Trustee's investment decisions are made in the context of their investment beliefs that:

- Managing the main investment risks is the most important driver of good long-term member outcomes;
- As the Plan invests for members over the long-term, financially material considerations including the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Taking investment risk is usually rewarded in the long term;
- The Trustee recognises that members have differing risk tolerances and the Trustee should offer choice for members in investment risk within the broader fund range and lifestyle options;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets; and, in particular, for some asset classes, it can be more difficult for active managers to outperform generally.
- When utilising passive management, choice of index is important when selecting managers, particularly in relation to incorporating trustee views on sustainability.
- Actively managed funds, where the manager chooses where to invest, may not always deliver the expected investment returns in the shorter-term;
- Active management is more appropriate for some asset classes than others. Private markets, Property, Specialist equity mandates such as those adjusted for climate impact, Absolute Return Bond funds, High Yield Bond funds and Private Debt markets lend themselves to active management.
- Governance time should be focussed where active management is needed and where the strategies (with active or passive management) had the biggest impact on member outcomes (returns and risk) including comparison with external approaches and strategies.
- Charges (levied by fund managers and platform providers and transaction costs (incurred by fund managers) will affect the retirement outcomes for members, especially when investment returns from an asset class are low.

Investment in Illiquid Assets

The Trustee does not directly invest in illiquid investments within the default arrangement. However, within the default investment arrangement, a small percentage of assets is allocated to illiquid investments via a holding with Legal and General Investment Management, the allocation to which is delegated to the investment manager. This allocation, which is invested in real estate, and private markets credit is concentrated in the pre-retirement phases of the glidepath, generally impacting members within 5 years of their selected retirement age (e.g. members aged 60 or older aiming to retire at 65). The Trustee is confident that the investment manager is well-positioned to determine the appropriateness of holding illiquid investments at any given time.

The Trustee has noted the evolution of Defined Contribution investment strategy and recent encouragement to incorporate illiquid assets.

These developments present the potential for diversification and enhanced risk adjusted returns within the Plan's investment strategy. However, the Trustee recognises that the decision to invest in a dedicated portfolio of illiquid assets requires careful consideration. There are inherent challenges and risks associated with illiquid investments and a thorough evaluation is appropriate before committing to such strategies. The Trustee continues to monitor the market for illiquid investment assets, their performance and associated risk attributes. This cautious stance will align any potential investment with the Trustee's risk tolerance, objectives and fiduciary duties to safeguard the interests of Plan members.

The Trustee sets clear criteria for prospective entry into the illiquid asset market. The decision to invest will be contingent upon the products within this market reaching a level of maturity. This encompasses the establishment of a proven history of success, demonstrating the resilience and reliability of the investment options under consideration.

The Trustee remains committed to giving priority to the interests of Plan members. Trustee decision-making focusses on prudence, diligence and a fiduciary responsibility that any investment into illiquid assets is aligned with the Plan's overarching strategic goals and obligations.

The Trustee is satisfied that the current default arrangement remains appropriate, is suitable for members and offers value for money to members having reviewed potential member outcomes at the last strategy review. The Trustee will continue to review the default arrangement on an ongoing basis and at the next strategy review.

Responsible Investing

Responsible investing encompasses both sustainable investing (including financially material factors) and effective stewardship of the Plan's investments. The Trustee believes that responsible investing can:

- Improve long-term investment returns;
- Reduce investment risks; and
- Support positive engagement with members.

Sustainable Investing

The Trustee's investment beliefs in relation to sustainable investing are:

- Companies demonstrating positive ESG practices are expected to outperform others over the long term;
- Climate change is a material consideration and may be of particular interest to younger members;
- Sustainable investment can improve long-term investment returns; and
- Following a Sustainable Investment approach can reduce investment risks; and.

- Sustainable investment should be incorporated within the default arrangement.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

The Plan offers members the default arrangement for auto-enrolment, a choice of alternative lifestyle options and self-select funds. The Trustee's stewardship activities will consider all funds used by members.

Members' financial interests

The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

Conflicts of interest

When appointing platform providers and choosing investment managers' funds on the provider's platform, the Trustee will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place.

When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issues, the Trustee expects the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Plan and will ensure that the platform provider and each investment manager has an appropriate conflicts of interest policy in place.

Voting and engagement

The Trustee believes that engagement with the companies in which the Plan invests through pooled investment funds, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.

The Plan invests via an investment platform provider, who in turn invest in funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee will periodically review the voting and engagement policies of the fund managers as well as the approach to governance of the investment platform provider to determine that these policies are appropriate. On an annual basis, the Trustee will request that the investment platform provider and fund managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from the investment platform provider and fund managers on how portfolios may be affected by a particular issue.

While the Trustee is not in a position to engage directly, the Trustee believes it is appropriate for the fund managers directly or through the platform provider to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will request, where appropriate and practicable, that the platform provider or investment managers notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee seeks to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

The Trustee expects the investment platform provider to adopt similar practices with regards to the inclusion and ongoing oversight of fund managers on their platform. The Trustee also expects the platform provider to be able to evidence their own governance practices on request. The Trustee will consider the platform provider's practices on the oversight of and engagement with the investment managers on its platform when reviewing the appointment of platform provider.

Monitoring

The Trustee expects the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues. The Trustee will receive reports from the investment platform provider on the fund managers' voting activity on a periodic basis. The Trustee reviews the fund managers' voting activity on an annual basis in conjunction with their investment adviser and use this information as a basis for discussion with the investment platform provider and fund managers.

The Trustee aims to meet with all fund managers on a periodic basis. The Trustee will provide the fund managers with an agenda for discussion, including issues relating to individual holdings, voting records and, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Types of funds used

Structure of the investment arrangements

The Plan invests contributions for members through the provider's investment platform. Contributions buy units in the provider's funds. The provider in turn backs the value of its funds by buying units in funds from a selection of fund managers where investments are pooled with other investors. This enables the Plan to invest in a range of funds giving a good spread of investments in a cost-effective manner.

The Plan's asset, and the Trustee's contract with the provider, is the policy of insurance issued by the provider. As a result, the Trustee does not have any contractual arrangement with the investment managers or title to the underlying funds' assets.

Delegation of investment decisions

The investment of contributions through the provider's investment platform means that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the provider, who has in turn delegated these investment decisions to the investment managers.

Selection of funds

The Trustee will invest in funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Plan.

The Trustee's choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the Trustee will endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Plan's investment objectives and the Trustee's investment beliefs, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Plan and its members.

The Trustee will seek to engage with the platform provider to obtain funds which meet the Trustee's investment beliefs, and are expected to improve outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangements. The Trustee expects the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustee will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members. Nevertheless, the Trustee expects that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Plan's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the provider be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Plan's choice of provider to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the providers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee also undertakes a review at least every three years in which the appropriateness of the investment options and the suitability of the Plan's investment management arrangements are also considered.

The Trustee monitors the investment managers against a series of metrics over a long-term time horizon (at least over a three-year investment cycle) including:

- Performance of their funds' respective benchmarks or performance targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The platform provider or investment managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

Portfolio turnover

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long term basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track. Hence it is outside the control of the investment manager. The exception to this is where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the Trustee will consider, with the help of their investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider or investment managers on the platform to report on at least an annual basis on the underlying assets held within the fund with details of any transactions and turnover costs incurred over the Plan's reporting year. The Trustee will seek to compare portfolio turnover and the resultant costs against peer groups or portfolio turnover and costs for an appropriate index.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the platform provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Portfolio duration

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan members' investment horizon. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Realisation of investments

The Trustee expects that the investment platform provider and the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the investment platform or fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund. Nevertheless, the Trustee recognises that most members' pension accounts have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

From time to time the suspension of trading in a fund or closure of a fund by the platform provider or fund manager and resulting temporary redirection of contributions to another fund may create a temporary or unintended inadvertent default arrangement.

Balance of investments

The Trustee reviews the nature of the Plan’s investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Plan, particularly in relation to diversification, risk, expected return and liquidity.

Overall, the Trustee’s intention is that the Plan’s investment options:

- Provide a balance of investments; and
- Are appropriate for managing the risks typically faced by members.

Security of assets

The funds are provided through a policy of insurance issued to the Trustee by the platform provider. As a result, the value of the funds may be affected in the event of the provider getting into financial difficulties.

The underlying funds used by the provider’s platform are accessed through reassurance agreements / unit purchase agreements / segregated investment mandates. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers’ funds.

Non-financial factors

The Trustee recognises that some members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

The Trustee notes that a large number of members have not made active investment choices and so the Trustee believes that most members are unlikely to have strong views which differ from those of the Trustee and the Plan’s investment advisors on where their savings are invested. The Trustee may gather member views on non-financial factors relating to the Plan’s investments and review this regularly. If there is a consensus view or demand for specific action, the Trustee will consider this appropriately.

While the Trustee will bear members’ views in mind when reviewing the suitability of the Plan’s investment options and choice of funds used, the Trustee will not take those non-financial factors into account in the selection, retention and realisation of the default arrangement for auto-enrolment and other lifestyle strategies and will not be bound by the members’ views (for instance where it is uneconomic or impracticable to do so).

The Plan offers a responsible investment fund and a faith based fund for members who are likely to hold stronger views in these areas than the majority of members.

Impact investing relates to investments that are intended to have a positive and measurable environmental or social impact, alongside a financial return. The Trustee will monitor the development and availability of funds suitable for DC which aim to have a positive impact globally.

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

In all cases fund managers are expected to act in accordance with the financial interests of members and the Plan’s investment objectives.

For the record

The Trustee obtains and considers proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement for auto-enrolment and the other default arrangement alternative lifestyle options are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The investment platform uses a life insurance company based legal vehicle for its funds. The fund managers used by the platform use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest-bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee considers that these types of investments are suitable for the Plan. The Trustee is satisfied that the funds used by the Plan provide adequate diversification both within and across different asset classes.

Appendix

Summary of the approach to investment governance

For the record

The Trustee's approach to investment governance complies with the provisions of the Plan's Trust Deed and Rules as well as legislative requirements.

The Plan's investment governance is also intended to meet the expectations set out in the Pensions Regulator's 2016 Code of Practice 13.

Exercising the Trustee's Powers

The Trustee has responsibility for setting the Plan's investment strategy and exercises its powers under the Plan's governing documentation and legislation in the interests of Plan members.

The Trustee has delegated day-to-day work on the Plan's administration and investments. The current service providers to the Plan together with how they are paid is set out in the Investment Operation Document.

Conflicts of interest

In the event of a conflict of interests, the Trustee will ensure that contributions are invested in the sole interests of members and beneficiaries.

Monitoring

The Trustee regularly monitors and reviews:

Investment Performance - The performance of the funds in which the Plan invests against both the funds' stated performance objectives and the investment objectives of the Plan.

This will also include monitoring the levels of portfolio turnover in the event that significant under or out-performance occurs.

Value for Members - The member borne charges for the default option against the charge cap for auto-enrolment purposes and the funds' charges and transaction costs to ensure that they represent value for members.

Suitability - The suitability of the default arrangement for auto-enrolment, other default arrangements and investment options outside the default arrangements are examined at least every three years and without delay after any significant change in investment policy or the demographic profile of the Plan's membership.

The Statements of Investment Principles - at least every three years and without delay after any significant change in investment policy or the demographic profile of the Plan's membership. The Trustee will consult the Employer on any changes.

Compliance with Statement of Investment Principles

The Trustee will monitor compliance with the Statement of Investment Principles annually and publish a report to members.

Investment process - The processes for investing contributions and taking money from the investment options to pay benefits to ensure that they are carried out promptly and accurately.

Security of assets - The security of funds' assets when choosing a fund provider/manager and thereafter.

Voting – The fund managers' records of exercising shareholder voting rights and engaging with equity and bond issuers on matters which may materially affect the value of investments.

Conflicts of Interest – Instances where the actions of the platform provider or fund managers may be in conflict with the best interests of the Plan's members.

Reporting

The Trustee arranges for the preparation of:

- The Plan's audited Annual Report and Accounts (which includes the Annual Governance Statement);
- The Annual Governance Statement by the Chair of Trustee describing the Plan's investment costs, value for members and governance during the previous year;
- An annual Implementation Statement describing how the policies and practices described in the Statement of Investment Principles have been followed during the previous year;
- Publication of an extract from the Annual Governance Statement by the Chair of Trustee, Statement of Investment Principles and Implementation Statement in a publicly searchable location on-line; and
- An annual return to the Pensions Regulator.