Statement of Investment Principles

This is the Statement of Investment Principles made by The LV= Pension Trustee Ltd, the Trustee of the LV= Employee Pension Scheme (the "Scheme"), in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It is subject to periodic review by the Trustee at least every three years and without delay after any significant change in investment policy or in the demographic profile of the relevant members in respect of the DC Section. The Trustee has consulted with the Principal Employer (Liverpool Victoria Financial Services Limited) regarding the investment policy set out in this document, but with the stipulation that the Principal Employer may not limit the Trustee's powers of investment.

In establishing the Scheme's investment arrangements, the Trustee has had regard to the requirements of the Pensions Act, in particular those concerning diversification and suitability of investments and the frequency by which these matters are reviewed. This includes AVC and Defined Contribution arrangements, which are assets of the Scheme. The Trustee has had regard to the Principles set out in the Myners Review of Institutional Investment (the "Myners Review"). In preparing this Statement, the Trustee has complied with the requirements of the Pensions Act 1995 regarding the content of Statements of Investment Principles. The Trustee incorporated where applicable the recommendations in the Myners Review regarding the content of Statements of Investment Principles and has received written advice from the investment consultant.

The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme provides both a Defined Benefit and a Defined Contribution pension arrangement. These two arrangements are considered separately in this Statement.

This SIP has been prepared after obtaining and considering written professional advice from both LCP (in relation to the DC section of the Scheme) and Redington (in relation to the DB Section of the Scheme). Both parties are appointed investment advisors to the Scheme whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

A. Defined Benefit Section – "DB Section"

DB Section Objectives

The Trustee's primary responsibility is to manage this section of the Scheme so that members receive their benefits as and when they fall due. The benefits payable are defined by the Scheme's Trust Deed and Rules.

The Trustee recognises the need to take some risk in order to generate a sufficient investment return over the long term to make the DB Section affordable, as measured by the contributions payable. In assessing this, the Trustee takes into account factors such as the employer's attitude to funding the DB Section and the employer's financial strength relative to the DB Section, thus its understanding of the contributions likely to be received from the employer and the DB Section members. The Trustee also considers its own willingness to accept underperformance due to market conditions.

Investment Strategy

In determining and reviewing the DB Section's investment strategy the Trustee adopts a Pensions Risk Management Framework ("PRMF"). This framework translates the principal goal of paying member benefits into measurable funding objectives and risk constraints, agreed by the Trustee. The PRMF is reviewed and monitored by the Trustee on at least a quarterly basis.

The Trustee's primary funding objective is to reach full funding on the Technical Provisions basis, with a long term target of achieving full funding on a Gilts +0.25% liability valuation basis by 2028.

In setting the investment strategy, the Trustee aims to:

- Target an expected return on assets close to that required to meet the funding objectives within the PRMF.
- Manage the investment risk including that arising due to mismatch between assets and liabilities by hedging to the DB Section's funding level on a Gilts +0.25% liability valuation basis, as well as limit the total risk on the DB Section below the risk budget set in the PRMF.
- Maintain suitable liquidity of assets such that the DB Section is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls.

Strategic Asset Allocation

The current overall benchmark allocation of the DB Section's assets between the major asset classes is detailed in the table below. These were updated by the Trustee following the decision to enter into a buy-in contract in June 2020 (covering the majority of the pensioner population) and are periodically reviewed and amended as appropriate.

Asset Class	Target Benchmark (%)	Target Range (%)
LDI	**45%**	**40%-50%**
Liquid Market Assets	**35%**	**30%-40%**
Volatility Controlled Equities[1]	*35%*	*30%-40%*
Liquid Credit Assets	**50%**	**45%-55%**
Corporate Bonds	40%	35%-45%
Absolute Return Bonds	10%	5%-15%
Illiquid Market Assets	**5%**	**0%-10%**
Infrastructure Equity	5%	0%-5%

Total[1,2]	**135%**	**N/A**

[1]Please note that the Volatility Controlled Equities is achieved synthetically using leverage, therefore the total allocation is above 100%.

[2]The strategic asset allocation above is represented as a proportion of total assets excluding the value of the buy-in contract as at 30th September 2021 on a gilts +25bps basis. As at this date these value of the contract accounted for 42% of the Scheme's overall assets.

To achieve the DB Section's objectives the Trustee has agreed the following:

Balance between different kinds of investments

The DB Section will hold a mix of investments within major markets to ensure that the overall portfolio is well diversified. This includes avoiding excessive reliance on any particular asset, issuer or group of undertakings and avoiding accumulations of risk in the portfolio as a whole.

Kinds of investment to be held

The DB Section may invest in quoted and unquoted securities of UK and overseas markets including (but not limited to) equities and fixed interest and index-linked bonds, property, insurance contracts, cash and pooled funds. The DB Section may also make use of derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. The DB Section may not invest in securities directly issued by the Principal Employer, which would imply "self-investment". The DB Section's assets must consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level.

Choosing Investments

All day-to-day investment duties have been delegated to the DB Section's investment managers.

Risks

The Trustee recognises a number of risks involved in the investment of the DB Section's assets and keeps them under regular review:

- *Sponsor risk* is measured by the level of ability and willingness of the sponsor to support the continuation of the DB Section and to make good any current or future deficit. It is managed by assessing the interaction between the DB Section and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to a number of metrics reflecting the financial strength of the sponsor.

- *Solvency risk and mismatching risk* are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment strategies. They are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment strategies.

- *Credit risk* is the risk that one party to a financial instrument will cause a loss to the DB Section by failing to repay an obligation, amongst other things. This risk is managed at the discretion of the relevant investment manager acting within defined limits set by the Trustee regarding credit quality and size of exposure.

- *Market risk/other price risk* is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. This risk is managed at a strategic and manager level through diversification. Outright loss protection is also used where appropriate.

- *Currency risk* is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. This risk is mitigated through currency hedging, where appropriate.

- *Interest rate risk* is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. Exposure to interest rate risk is gained intentionally to hedge and offset liability interest rate risk. This is managed by the investment manager within defined limits set by the Trustee.

- *Liquidity risk* is measured by the level of cashflow required by the DB Section over a specified period. It is managed by the DB Section's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

- *Manager risk* is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy. It is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

- *Counterparty risk* is measured through the level of concentration with any one counterparty, leading to the risk of an influence on investment values, arising from a default on obligations. It is managed through the investment manager guidelines, counterparty diversification and collateralisation, where appropriate.

- *Political risk* is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention. It is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

- *Environmental, social and governance (ESG) risks*
  Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and regularly reviews how these risks are being managed in practice. Additionally climate-related metrics, including carbon emissions metrics, are monitored on a regular basis to understand the Scheme's exposure to climate-related risks.

- *Default risk* is the risk of default of the chosen insurer, Phoenix Life. The Trustee undertook significant due diligence via their advisor to understand the potential default risks with the insurer before proceeding with the Scheme's buy-in. The Trustee relies on the regulatory framework that Phoenix Life operates under to mitigate this risk, governed by the Prudential Regulatory Authority, e.g. the regulatory capital requirements. In addition, in the event of default by the insurer, members may be eligible for compensation from the Financial Services Compensation Fund ("FSCS"), based on the current FSCS rules.

Custody

The Trustee may arrange for the appointment of a custodian in relation to all or any part of the portfolio.

Monitoring

When applicable, the terms of the long-term relationship between the Trustee and its managers are set out in separate Investment Management Agreements (IMAs). These document the Trustee's expectations of their managers; alongside the investment guidelines they are required to operate under. When the Trustee decides to invest in pooled investment vehicles, it recognises that due to the collective nature of these investments, there is less scope to directly influence how the asset manager invests. In such instances, the Trustee's investment advisers ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe, subject to a minimum of three years. The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees annually to confirm they are in line with market practices, notably when the Trustee expects the manager to take an active ownership approach and consider long-term ESG factors.

The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers annually, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

The Trustee's policy towards monitoring non-financial performance is set out in the Responsible Investment section of the SIP.

Rights attaching to investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee expects the investment managers to seek to protect and/or enhance the value of the DB Section's investments when it is exercising the voting rights or in deciding whether to exercise the voting rights.

Additional Assets

Member's additional voluntary contributions (AVCs) are invested with the main DB Section's assets, and the value changes in line with the quarterly return on the DB Section's assets. The return to be applied to the AVCs is reviewed and provided to the administrators on a quarterly basis.

B. Defined Contribution Section – "DC Section"

Investment Objectives

The Trustee's primary objective for the DC section of the Scheme is to provide members with access to;

- an appropriate range of investment options, reflecting the membership profile and which will enable members to accumulate a fund to provide suitable benefits at retirement.
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

Investment Policy

The Trustee's policy to achieve this objective is to provide a range of funds and lifestyle funds which offer a suitable mixture of real and other assets and a default investment strategy appropriately targeted for the membership. It recognises that the returns on return-seeking assets, while expected to be greater over the long-term than those on other assets, are likely to be more volatile. The range of funds utilised to meet the DC Section's objectives are set out in Appendix A.

Risks

When deciding how to invest the Scheme's assets, the Trustee has considered several investment risks in the DC Section, including, but not limited to, those set out below:

- *Risk of inadequate returns* - in the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifetime" strategy.

- *Risk from lack of diversification* - This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect members' assets. The Trustee believes that the Scheme's DC default strategy is adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

- *Credit risk* - This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme's DC Section is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

- *Currency risk* - Whilst the majority of the currency exposure of the Scheme's DC Section assets is to Sterling, the DC Section is subject to currency risk because some of the DC Section investments are held in overseas markets. For the DC Section's lifetime strategies, the Trustee believes that the currency exposure is managed in an appropriate manner given the objective of each of those strategies. Within the DC Section's self-select fund range some funds will be subject to currency risk where the underlying investments are held in overseas markets which the Trustee considers reasonable.

- *Manager risk* – the risk that the chosen investment manager underperforms its benchmark. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

- *Illiquidity risk* - this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

- *Valuation risk* is the risk that it is not possible to value accurately some, or all of the underlying assets held within a fund due to market specific circumstances. This may mean that a sufficiently reliable fund unit price cannot be established. The Trustee seeks to appoint investment managers who will manage this risk appropriately should such circumstances occur by, for example, suspending dealing in any affected fund where this is in investors' best interests. The Trustee reviews this risk from time to time and in particular during periods of adverse or unusual market conditions.

- *Risk from excessive charges* - If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the DC Section are in line with market practice and assess regularly whether these represent good value for members.

- *Environmental, social and governance (ESG) risks* – Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and regularly reviews how these risks are being managed in practice.

The funds and lifetime options offered through the DC Section have been chosen to help members mitigate these risks through appropriate fund selection and, in addition, to allow members to achieve an adequate level of diversification. These considerations feature in the selection criteria for new managers and monitoring process for ongoing managers.

Suitability

The Trustee has taken advice from its investment consultant to ensure the fund range and default strategy remain suitable, accommodate a broad range of asset classes covering the needs of members' in terms of their attitude to investment risk.

Liquidity

The funds are offered through a life insurance policy and as such are in normal circumstances intended to be realisable to provide pension benefits on retirement, or earlier on death or transfer to another pension arrangement.

Investment arrangements

The Trustee has entered into a contract with a platform provider, Aviva, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

Responsibility for the day-to-day management is effectively delegated to individual investment managers. The current managers are shown in Appendix A.

Charges, transaction costs and value for money

The Trustee is committed to ensuring that DC Section members get value for money (i.e. that the costs and charges deducted from DC Section members' pension accounts or contributions provide good value in relation to the benefits and services provided) and keeps value for money in mind on an on-going basis, including it as an item on the Scheme's risk register. The Trustee undertakes an annual value for money assessment with support from its advisers. The Trustee is mindful of providing value for money to members.

The charges for all four lifetime strategies are below the charge cap (0.75%).

Default investment strategy

The Trustee offers the lifetime strategy "Universal" as the default strategy as it is believed to be reasonable for those members who do not wish, or have not elected to select a preferred investment choice for their pension investments themselves. It is designed to be appropriate for members who take an annuity, cash or drawdown at retirement. It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meet the Trustee's view of the needs and circumstances of the majority of the membership.

The objective of the default strategy is to generate long term investment growth in excess of inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement. With that in mind, the Universal Lifetime Strategy initially invests in equities in the accumulation phase and then starts to move into a multi-asset fund 15 years before the member's selected retirement age. Further switching, which is designed to strike an appropriate balance between risk and return for members approaching retirement, then results in an asset allocation of 50% diversified growths, 25% absolute return bonds and 25% cash by selected retirement age. While the Trustee recognises the need for a default investment strategy, it believes that members should be encouraged to regularly review their personal circumstances and to make positive selections rather than to rely on the default strategy. This will help the member better understand their individual position and ensure corrective action is taken if required.

The Trustee will monitor the choices members make at retirement to check whether assumptions made about how members will access their benefits are borne out in practice.

One of the self-select options the Trustee offers members is the 'My Property Fund'. Following a decision to temporarily close the 'My Property Fund' from March to September 2020 (due to the suspension of trading by the underlying manager Threadneedle) contributions were redirected into the 'My Cash Fund' until such time as the Property Fund could reopen. As members' contributions were directed into the 'My Cash Fund' without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements and will be captured as a default in the Scheme's Chair's Statement. Due to the nature of property fund investments, the My Property Fund could suspend again in difficult market conditions. As such, the Trustee may again use the My Cash Fund to redirect member contributions should this occur.

Details of the Universal Lifetime Strategy are set out in Appendix A.

Other investment options

The Trustee also wishes to give those members (who feel comfortable doing so) a reasonable degree of freedom to make their own investment choices. As a result, an appropriate range of individual funds is made available for those members who elect to choose their own customised fund mix in preference to one of the four prescribed lifetime strategies. These funds are managed with either a passive or active investment management style. The use of 'white labelled' funds which are not specifically branded by reference to the manager makes it easier for the Trustee to change the underlying managers when appropriate without first having to communicate the change to the members. Appendix A provides further details of the white labelled funds.

In addition to the Universal Lifetime Strategy, three other lifetime strategy options are available to members:

- *The "Annuity Focused" lifetime strategy* – a strategy that initially invests in equities in the accumulation phase and then starts to move into a multi-asset fund 15 years before the member's selected retirement age. Further switching into a pre-retirement fund, which invests in corporate bonds and gilts and aims to achieve a return similar to that of a traditional annuity product, and cash, with members' pension accounts being invested 75% in a pre-retirement fund and 25% in cash by selected retirement age.
- *The "Cash Focused" lifetime strategy* – a strategy that initially invests in equities in the accumulation phase and then starts to move into a multi-asset fund 15 years before the member's selected retirement age. Further switching into bonds and cash follows, with members' pension accounts being invested 30% in an absolute return bond fund and 70% in cash by selected retirement age.

- *The "Drawdown Focused" lifetime strategy* – a strategy that initially invests in equities in the accumulation phase and then starts to move into a multi-asset fund 15 years before the member's selected retirement age. Further switching into cash occurs as retirement approaches, with members pension accounts being invested 75% in a multi-asset fund consisting of equities, bonds and diversified growth funds, and 25% in cash by selected retirement age.

Monitoring

The manner in which the Trustee monitors the investment managers in the DB section of the SIP also apply to the DC Section. However, in relation to DC, assets are predominantly held in pooled funds and they recognise that managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy.

As such, the Trustee recognises its responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

The Trustee is not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. The Trustee's investment adviser provides regular advice on the suitability of the fund range and default strategy as well as monitoring how material changes to the legislation or the membership may impact this. The investment advisor will also advise the Trustee on selection and review of investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and ESG considerations).

A set of objectives have been provided by the underlying fund manager and are consistent with their benchmark and investment approach (these are, of course, simply objectives and the rate of return can obviously not be guaranteed).

The benchmark for each fund is set by the underlying fund manager, however it should be noted that as Aviva provides 'wrapped' versions of the underlying funds in which it invests the wrapped version will not exactly match the performance of the underlying fund.

The Trustee accepts that the discrepancy between the performance achieved by a wrapped fund and that of the underlying fund in which it invests is unavoidable. However, Aviva should take steps to reduce this to an absolute minimum and the Trustee will monitor accordingly.

The platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.
- Administering member assets.

The Trustee reviews the performance of the platform provider on a regular basis.

C. Responsible Investment

These considerations apply to both the DB and DC Sections of the Scheme.

Environmental, Social and Governance Factors

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

The Trustee is currently working towards integrating climate-related risks and opportunities within the Scheme's risk management process. These include ensuring compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 based upon disclosures in line with the current recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

The Trustee does not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision making nor do they appoint investment managers that consider these factors.

Governance and Responsibilities

The processes for identifying, assessing and managing climate-related risks are in line with the Scheme's wider Risk Management Framework. The ultimate responsibility for identifying, assessing, and monitoring climate-related risks and opportunities sits with the Trustee; however, the Trustee has delegated the day-to-day responsibilities to the Funding and Investment Sub Committee ("FISC") for the DB Section and to the Defined Contribution Sub Committee ("DCSC") for the DC Section.

In order to effectively carry out this responsibility, the FISC and DCSC (and separately the Trustee) receive sufficient training, from the relevant advisors, on an ongoing basis in respect of climate-related risks and opportunities. The FISC and DCSC monitor ESG reporting provided to them on an annual basis by their DB Investment Advisor, Redington, and annually by their DC Investment Advisor, LCP. Both the FISC and DCSC are also working to obtain relevant climate metrics as set out under DWP's adoption of the recommendations of the TCFD (the results of which will be disclosed in the Scheme's annual TCFD report). As part of this ongoing monitoring the FISC and DCSC will consider whether to retain or replace any targets set in relation to these metrics.

The FISC and DCSC also rely on the manager research and internal modelling capabilities of their Investment Advisors to effectively assess climate-related risks and opportunities, this includes, for example, carrying out climate change scenario analysis. This analysis is performed in relation to the Scheme's assets, liabilities, and covenant by the Trustee's advisors. Specifically:

- the DC asset analysis is performed by LCP, the DC Investment Advisor;
- the DB asset and liability analysis is performed by Hymans, the Scheme actuary;
- and the covenant analysis by EY Parthenon, the Scheme's Covenant advisor.

This analysis will be performed triennially; interim updates may be performed, for example if there are material changes to the Scheme's strategy, member demographics or if there are significant changes to the methodology and industry practice relating to the analysis. To this end, the Trustee will consider annually whether a refresh of the analysis is required. The results of these climate scenarios are aligned where possible to ensure a consistent approach is taken across the Scheme's entire funding strategy.

The FISC meet four times during the year. Its role includes consideration and advice to the Trustee Board on investment strategy and risks associated with the DB Section of the Scheme, this includes risks associated with climate change. The FISC also monitors investment performance, along with the Trustee Board, and is responsible for reviewing investment items on the Scheme risk register and reporting its findings to the Board. The DCSC meet three times during the year. Its purpose is to consider and advise the Board on all DC-related matters, including that effective governance processes are in place for the DC Section. The DCSC also monitors DC investment performance, ensure that the DC Section is being operated in line with the Scheme's rules and guidance and in line with required regulation. The DCSC will report compliance to the Trustee Board as appropriate.

Finally, active engagement with companies in which the Scheme is invested, specifically relating to climate-related risks and opportunities, is delegated to the Scheme's investment managers. To monitor this the FISC meet with each of their investment managers at least once every 18 months to receive an update of their climate-related reporting and to discuss any areas for improvement. The FISC and DCSC delegate the monitoring of climate related risks and opportunities in the first instance to their investment advisors, who provide at least an annual update on how each manager incorporates climate change considerations into their investment process. In the interim the Scheme's Investment Advisors raise points to note as appropriate and any key takeaways from this day-to-day monitoring are reported back to the Trustee. Meetings between the Trustee, FISC, and its DB Investment Advisor take place quarterly. Meetings between the DCSC and its Investment Advisors take place tri-annually. At the Trustee Board meetings, the relevant work the FISC and DCSC has undertaken over the period since the last meeting is relayed back to the Trustee.

Stewardship

The Trustee recognises that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights are important as they help preserve and enhance asset owner value over the long term.

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

The Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments, and reports to the Trustee on a regular basis.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the asset managers of the Scheme. The Trustee monitors and discloses the voting records of its managers on an annual basis.

Monitoring climate-related risks and opportunities

The Trustee believes that climate change is likely to be a financial risk affecting the Scheme’s investments to some degree. The Trustee will monitor appropriate climate risk metrics related to the Scheme and considers these when making investment decisions.

The Trustee believes that climate-related factors may create investment opportunities that the Scheme should do its best to take advantage of, where it is appropriate as part of the wider strategic objectives and/or its fiduciary responsibilities.

The Trustee believes that although markets are likely to partially price in climate related risks, it cannot rely solely on markets to react quickly or accurately enough. The risks arising from climate change should therefore be actively managed where this is possible, appropriate and consistent with the Scheme’s wider investment strategy.

The Trustee believes that climate-change risk needs to be considered alongside and balanced against the other relevant investment risks and considerations when evaluating investments. The Trustee therefore acknowledges that it may not always be able to minimise climate-related risk if doing so would be to the detriment of wider strategic objectives and/or its fiduciary responsibilities.

Engagement

The Trustee believes that engagement (including the exercise of voting rights) is a potential means of helping to manage the Scheme’s climate-related risks. However, its efficacy can be limited, and other actions should be considered alongside engagement. Engagement with underlying companies (as well as other relevant organisations) is carried out primarily by investment managers on behalf of the Trustee.

The Trustee may look to disinvest from investments or asset managers which are inadequately managing their climate-related risks if attempts to engage with these parties to address this are not successful, subject to legal advice on any Trustee divestment decision or framework.

The FISC will work collaboratively with managers and relevant industry stakeholders to set Scheme-wide objectives for the engagement activities that are carried out on the Trustee’s behalf. This will be disclosed in the annual TCFD report.

Appendix A - Defined Contribution Section

The Trustee makes available a range of passively and actively managed self-select funds and lifetime strategies. The default option is a lifetime strategy. Details of the options are set out below. Members are provided with clear information on the investment options and their characteristics that will allow them to make an informed choice.

The fund options are provided to members via an investment only platform arrangement with Aviva. The funds are all white-labelled, open ended and are priced daily. The funds marked with a (*) are building blocks of the lifetime strategies and are not offered on a self-select basis.

White label fund name	Underlying fund name	Benchmark	Objective
My Balanced Growth Fund*	10% Newton Global Dynamic Bond Fund 20% BlackRock World Equity Index Fund 20% LGIM Diversified Equity Factor Fund 25% Baillie Gifford Multi Asset Growth Fund 25% LGIM Diversified Fund	10% 1 month £ LIBOR + 2% pa 20% FTSE All World Developed Index 10% MSCI World 10% MSCI World (100% GBP Hedged) 25% BoE Base Rate + 3.5% pa 25% 3-month LIBOR + 3.5% pa	This fund invests in a mix of asset classes including equities, property and bonds, aiming to provide long-term investment growth in excess of inflation. Currently this fund cannot be accessed on a self-select basis.
My Approaching Retirement Fund*	25% Newton Global Dynamic Bond Fund 25% Baillie Gifford Multi Asset Growth Fund 25% LGIM Diversified Fund 25% BlackRock Cash Fund	25% 1 month £ LIBOR + 2% pa 25% BoE Base Rate + 3.5% pa 25% 3-month LIBOR + 3.5% pa 25% 7-day LIBID	This fund invests in a mix of asset classes including equities, property and bonds and is designed to contain an appropriate balance between risk and return for members approaching retirement. Currently this fund cannot be accessed on a self-select basis.
My Lump Sum Targeting Fund*	70% BlackRock Cash Fund 30% Newton Global Dynamic Bond Fund	70% 7-day LIBID 30% 1 month £ LIBOR + 2%	This fund invests in bonds, gilts and cash and aims to provide long-term returns in excess of cash. Currently this fund cannot be accessed on a self-select basis.
My Cash Fund	BlackRock Cash Fund	7-Day Sterling LIBID	This fund mostly invests in cash. It aims for returns in line with short-term interest rates on the financial markets.
My Property Fund	Threadneedle Pensions Property Fund	IPD All Balanced Weighted Index	This fund aims to provide exposure to property, either directly or via the shares of property companies. It can also invest across other asset classes such as bonds, gilts and investment funds. It aims for similar returns to a broad property index.
My Pre-Retirement (Annuity Focused) Fund	LGIM Pre-Retirement Fund	ABI Sterling Long Bonds	This fund invests in corporate bonds and gilts aims to achieve a return similar to that of a traditional annuity product.
My Diversified Growth Fund	LGIM Diversified Fund	3-month LIBOR + 3.5% pa	This fund invests in a mix of global shares (UK and overseas), as well as a wide range of other asset classes, aiming to provide long-term investment growth.
My Diversified Growth Fund (Active)	Baillie Gifford Multi Asset Growth Fund	UK Base Rate +3.5% pa, net of fees over rolling 5-year periods	This fund invests in global shares as well as a wide range of other asset classes. It aims for a higher rate of return than inflation. The fund is actively managed so the allocation to asset classes can be expected to change over time. Derivatives may be used for investment purposes.

My UK Shares Fund	BlackRock UK Equity Index Fund	FTSE All-Share Index	This fund invests in the shares of UK Companies and aims for returns in line with a broad UK equity benchmark.
My Global Shares fund	50% BlackRock Aquila World Index Fund 50% LGIM Diversified Equity Factor Fund	50% FTSE All World Developed Index 25% MSCI World 25% MSCI World (100% GBP Hedged)	This fund invests in a mix of UK, overseas, and emerging market equities. It aims for returns in line with a broad equity benchmark.
My Ethical Global Equity Fund	LGIM Ethical Global Equity Index Fund	FTSE 4Good Developed Index	This fund invests in global shares that have been screened to have higher than average Environmental, Social and Governance characteristics as well as those that meet certain ethical criteria. The fund aims to track the performance of its benchmark.
My Emerging Markets Equity Fund	BlackRock World Emerging Markets Equity Index Fund	MSCI Emerging Markets Index	This fund invests in emerging market equities and aims to return in line with a broad emerging market equity benchmark.
My Islamic Global Equity Fund	HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Titans 100 Net	This fund invests in global shares in a manner consistent with Sharia law. The fund aims to return in line with a benchmark also compiled to comply with Sharia law.

As described previously, while no single option will be sufficient to manage the various risks associated with defined contribution investment, the range is expected to be wide enough to enable individual members to manage the risks identified as they become relevant.

The Trustee also makes available four lifetime strategies where members' investments are initially allocated to equities and are progressively switched into a multi-asset fund, bonds and cash as retirement approaches. For these strategies, which include the default “Universal Lifetime Focused” strategy, the way in which the investments change over time until members reach their selected retirement age is set out on the pages that follow.

Universal Lifetime Strategy			
Years to selected retirement age	My Global Shares	My Balanced Growth	My Approaching Retirement
15+	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	80%	20%
3	0%	60%	40%
2	0%	40%	60%
1	0%	20%	80%
0	0%	0%	100%

Cash Focused Lifetime Strategy			
Years to selected retirement age	My Global Shares	My Balanced Growth	My Lump Sum Targeting
15+	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	80%	20%
3	0%	60%	40%
2	0%	40%	60%
1	0%	20%	80%
0	0%	0%	100%

Drawdown Focused Lifetime Strategy			
Years to selected retirement age	**My Global Shares**	**My Balanced Growth**	**My Cash**
15+	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	95%	5%
3	0%	90%	10%
2	0%	85%	15%
1	0%	80%	20%
0	0%	75%	25%

Annuity Focused Lifetime Strategy				
Years to selected retirement age	**My Global Shares**	**My Balanced Growth**	**My Pre-Retirement (Annuity focused)**	**My Cash**
15+	100%	0%	0%	0%
14	90%	10%	0%	0%
13	80%	20%	0%	0%
12	70%	30%	0%	0%
11	60%	40%	0%	0%
10	50%	50%	0%	0%
9	40%	60%	0%	0%
8	30%	70%	0%	0%
7	20%	80%	0%	0%
6	10%	90%	0%	0%
5	0%	100%	0%	0%
4	0%	80%	15%	5%
3	0%	60%	30%	10%
2	0%	40%	45%	15%
1	0%	20%	60%	20%
0	0%	0%	75%	25%