Morgan Stanley

Morgan Stanley UK Group Pension Plan

Annual statement regarding governance

The Trustee of the Morgan Stanley UK Group Pension Plan (the 'Plan') is required to prepare a statement (the 'Statement') on governance and include it in the annual report[1].

This Statement has been prepared by the Trustee, with advice from Mercer. Mercer provides the Trustee with pensions and investment consulting services.

This document sets out the Statement covering the period from 1 January 2023 to 31 December 2023 and describes how the Plan meets its legal requirements in a number of key areas and details:

- The investment options in which members' funds are invested (the Plan's default investment option, additional lifestyle options and self-select fund range);
- The requirements for processing financial transactions;
- Net return on investments;
- An illustration of the cumulative impact of transaction costs and charges;
- The report on the charges and transaction costs for the investments used in the default and self-select arrangements and the extent to which the charges and costs represent good value for members; and
- How the combined knowledge and understanding of the Trustee and its advisers enables the Trustee to properly run the Plan.

This Statement is published on a publicly available website at **http://www.morganstanley.com/disclosures/the-morgan-stanley-uk-group-pension-plan/** and will be signposted in the annual benefit statements.

1. Default investment option

A default arrangement is the investment fund or funds into which pension contributions are paid where members have not made their own choice (or "self-selected") where they want to invest their pension savings.

The current default arrangement for the Plan is the Diversified Default Option ("DDO"). The DDO is a form of lifestyle strategy. Lifestyle strategies are designed to meet the objectives of maximising the value of a member's assets at retirement and protecting their accumulated assets in the years approaching retirement.

The DDO attempts to achieve these objectives by varying the mix of assets over a member's working life using a combination of the following three funds: Active Diversified Growth Fund, Active Diversified Retirement Fund and Cash Fund.

Contributions are invested in the Active Diversified Growth Fund until a member reaches the age of 50. From this time onwards, a proportion of each member's accumulated assets are switched into the Active Diversified Retirement Fund each month and then also the Cash Fund from age 55. The final allocation at age 65 is a 75% allocation to the Active Diversified Retirement Fund and 25% allocation to the Cash Fund. If a member continues in the Plan past age 65, without taking retirement, then the allocation will periodically be re-balanced in line with the 75% / 25% split.

The Trustee recognises that this will not be appropriate for all members and therefore makes available a range of self-select funds and encourages members to make their own investment decisions where appropriate.

1 Under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (the 'Administration Regulations').

The most recent review of the investment arrangements

A formal comprehensive review of the default arrangement, the DDO, was undertaken by the Trustee in 2021 (at the September 2021 Investment Committee meeting). This review encompassed all aspects of the default strategy, in particular, the ongoing appropriateness of the strategy based on member analysis. It considered the following aspects:

- each component of the default investment option including the growth phase structure,
- at-retirement objective including the appropriateness of this with respect to the Plan's membership and industry trends,
- the default investment option pre-retirement strategy and whether it remained an appropriate method of transitioning members to their final allocation at retirement,
- the objectives of the default investment option itself,
- industry trends generally and glidepath design,
- gender pension gap,
- key component funds,
- consideration of alternative lifestyles, and,
- Morgan Stanley Plan data, including how members were taking their benefits at retirement, member's projected pot sizes, demographic profile of the membership and in particular in the default investment option.

The conclusions of this review were:

- The Plan is set up to broadly provide a good member outcome for the majority of members, so long as members contribute at a sufficient level and the investment returns are in line with or better than the assumptions.
- Drawdown remained a suitable at-retirement target for the Plan.
- A number of alternative glidepaths were considered, but it was agreed to make no changes to the default glidepath.
- It was agreed to not make available an annuity and cash lifestyles, but to make available a self-select fund which aims to track annuity prices.

The Trustee's Statement of Investment Principles (SIP) dated April 2024 is attached to this statement as Appendix A. This includes the Trustee's policies, aims and objectives in relation to the Diversified Default Option, how these aims are achieved and matters such as management of investment risks and diversification.

A number of investment benchmark changes took place during the Plan year as a result of ongoing governance.

Firstly, during the 2 May 2023 meeting, the Trustee agreed to replace the existing peer group + 1% target of the Active UK Property Fund, with peer group + 0% as the official benchmark. This was because the underlying component fund constituted a significant proportion of the peer group index, and as such, the Trustee believed it was challenging for a fund to outperform a peer group that contains itself and that removing this 1% outperformance provides a benchmark which reflects an appropriate target for the underlying component fund or any other property fund we might want to use in the future.

The next default investment option review will be conducted no later than September 2024.

2. Requirements for processing core financial transactions

As required by Regulation 24 of the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately; this includes:

- Investment of contributions paid to the Plan;
- Transfers of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payments from the Plan to, or in respect of, members.

The requirements of Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Maintaining a Risk Register, which outlines risks in relation to processing core financial transactions. The Plan's Risk Register outlines all of the risks to Plan members and these are monitored and reviewed on an annual basis.
- Having Capita Pension Solutions Limited ("Capita"), a professional third party administrator, carry out the administration of Plan. The Trustee has agreed minimum timescales with Capita for processing requests, including core financial functions. The Service Level Agreements (SLAs) in place cover both the accuracy and timeliness of the financial transactions. Capita's administration reports are reviewed quarterly by the Trustee to determine whether any service issues have arisen. Performance against SLAs for the year to 31 December 2023, in regards to cases across both this Plan and the Morgan Stanley UK Group Top-Up Pension Plan, was 99.0%. The detailed SLA achieved over 2023 are presented in the table below:.

REPORTING PERIOD	CASES RECEIVED	CASES COMPLETED IN SLA	SLA ACHIEVED
Q1 2023	5,111	5,063	99.06%
Q2 2023	3,724	3,680	98.22%
Q3 2023	4,164	4,120	99.27%
Q4 2023	5,290	5,239	99.44%

This assessment includes both the Morgan Stanley UK Group Pension Plan and the Morgan Stanley UK Group Top-Up Plan.

- Ensuring that detailed disaster recovery plans are in place with the administrator and other relevant third parties.
- The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Plan. However, agreed practice provides for payment of contributions in advance of these timescales. The deduction and payment of contributions is reviewed by the Company.
- The Trustee has appointed Scottish Widows to provide investment platform services to the Plan with oversight from Mercer Workplace Savings ('MWS'). The Trustee last conducted a full formal review of the Scottish Widows Investment Platform on appointment in 2011 and conducts informal annual reviews.
- The Trustee also appoints an independent auditor (Deloitte LLP) to carry out an annual audit of the Plan, including the core financial transactions that have taken place during the Plan year.

CAPITA CYBER INCIDENT

Capita Pensions Solutions Limited (Capita) is the administrator of the Morgan Stanley UK Group Pension Plan. The Trustee has been told by Capita that Capita experienced a cyber incident following an unauthorised access to Capita's systems on or around 22 March 2023, before being interrupted by Capita on 31 March 2023.

The Trustee was notified by Capita on 18 May 2023, 6 June 2023, and 27 March 2024 that personal data which Capita processes on behalf of the Trustee had been part of the data exfiltrated as a result of the cyber incident. The Trustee has taken action to comply with its regulatory obligations, including informing relevant regulators and communicating with affected members.

With the exception of the cyber incident, the Trustee is satisfied that over the period covered by this Statement:

- the administrator was otherwise operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- all other core financial transactions have been processed promptly and accurately during the Plan year.

3. Charges and transaction costs

As required by Regulation 25 of the Administration Regulations, the Trustee is required to report on the charges and transaction costs for the investments used in the default and self-select arrangements and their assessment of the extent to which the charges and costs represent good value for members. The statutory guidance has been considered in reporting this information.

The Trustee is required to set out the on-going charges borne by members in this Statement. These charges, also known as the total expense ratio ("TER"), are a measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of management fees and additional variable expenses that the investment manager incurs in operating the underlying fund, such as fees to auditors, custodians and accountants and other operational expenses. The TER is paid by the members and is reflected in the unit price of the funds. It does not include transaction costs incurred within the fund, which are covered later in this section.

The Trustee is also required to disclose transaction cost figures that are borne by members separately. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds.

The charges and transaction costs have been supplied by Scottish Widows, the Plan's investment platform provider. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance.

We note that while transaction costs and charges are an important consideration, they are not the only criteria the Trustee assesses. A number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Plan.

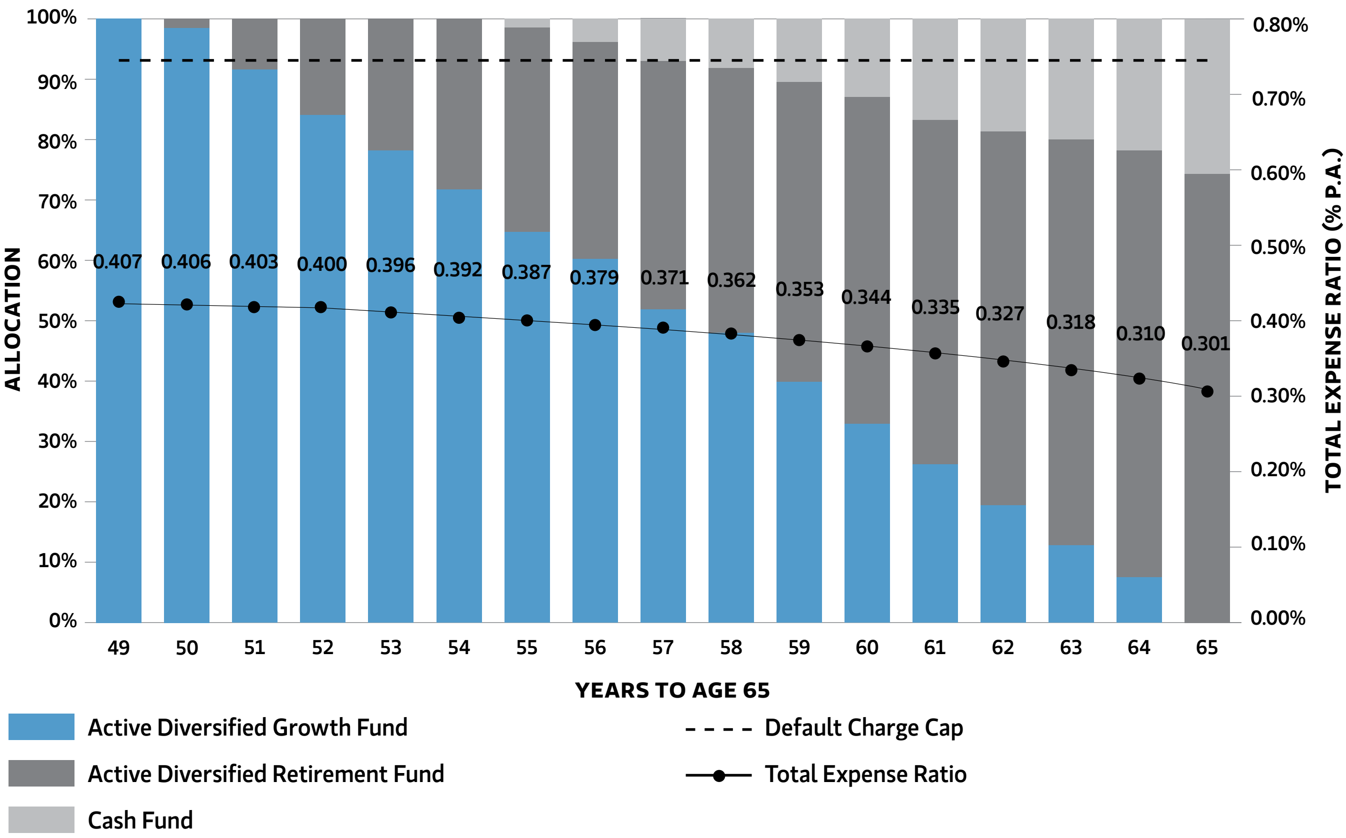
The following sections provide further detail on the charges applicable to the funds in the DDO as well as a summary of the charges across the funds in the self-select fund range.

FUND CHARGES

Charges relating to investment management are deducted from the funds in which Plan members are invested. All other costs associated with running the Plan, including administration, advisory and member communication costs are paid by the Company. The only exceptions are legacy AVC arrangements where members will also incur some administration expenses. More information is included in the Legacy Additional Voluntary Contributions ('AVCs') Section of this report.

The Plan provides details of the costs borne by members in two forms – the annual management charge ("AMC") and the total expense ratio ("TER"). The AMC is the core charge that covers the cost of accessing and managing a fund. Where applicable, this includes a Mercer Intermediary Charge (for the use of the Mercer Workplace Savings (MWS) service), as well an Investment Only platform fee for accessing funds via the Scottish Widows platform. The TER includes the AMC plus variable costs associated with managing a fund such as administrative, audit and legal fees.

The Plan complies with the Regulations on charge controls introduced from April 2015. Specifically, the Plan's default investment option, the DDO, has a TER that is well below the charge cap of 0.75% p.a. at each stage of the life-styling process. The TER payable under the default investment arrangement will vary depending on the stage that each member has reached in the de-risking process. The DDO glide path is illustrated below:



The following sections provide details on the charges applicable to the funds in the default investment option as well as a summary of the charges across the funds in the self-select fund range.

ACTIVE DIVERSIFIED GROWTH FUND

The Active Diversified Growth Fund is a bespoke 'fund of funds' that aims to achieve capital growth via investment in return-seeking assets such as, but not limited to, equities. This fund can also be invested in by members on a self-select basis.

Within the DDO, the Active Diversified Growth Fund is held by members until age 50, when it is gradually sold in favour of the Active Diversified Retirement Fund. The Cash Fund is then gradually introduced, from age 55. The final allocation at age 65 is 75% in the Active Diversified Retirement Fund and 25% in the Cash Fund.

The current strategic asset allocation of the Active Diversified Growth Fund and its ongoing charges are shown in the following table.

WEIGHT (%)	CURRENT UNDERLYING COMPONENT	ANNUAL MANAGEMENT CHARGE (% P.A.)	TOTAL EXPENSE RATIO (% P.A.)	TRANSACTION COSTS (% P.A.)
60.0	Passive Global Equity	0.147	0.149	0.074
22.5	Active Absolute Return	0.892	0.907	0.542
10.0	Active Multi Asset Credit	0.517	0.627	0.010
7.5	Active UK Property	0.667	0.717	-0.202
Active Diversified Growth Fund		**0.387**	**0.407**	**0.152**

Source: Scottish Widows, as at December 2023.

ACTIVE DIVERSIFIED RETIREMENT FUND

The Active Diversified Retirement Fund is a bespoke 'fund of funds'. It is used within the DDO (beginning from age 50) and is also available as a self-select option. The current strategic asset allocation of the Active Diversified Retirement Fund is shown in the table below.

WEIGHT (%)	CURRENT UNDERLYING FUND	ANNUAL MANAGEMENT CHARGE (% P.A.)	TOTAL EXPENSE RATIO (% P.A.)	TRANSACTION COSTS (% P.A.)
35.00	Passive Global Equity	0.147	0.149	0.074
16.25	Active Absolute Return	0.892	0.907	0.542
10.00	Active Multi Asset Credit	0.517	0.627	0.010
3.75	Active UK Property	0.667	0.717	-0.202
8.75	Active Global Corporate Bond	0.127	0.267	0.016
8.75	Active UK Corporate Bond	0.367	0.387	0.000
8.75	Passive Gilt	0.072	0.072	0.031
8.75	Passive Index-Linked Gilt	0.072	0.082	0.149
Active Diversified Retirement Fund		**0.323**	**0.354**	**0.124**

Source: Scottish Widows, as at December 2023.

CASH FUND

The Cash Fund invests primarily in money market instruments through investment in securities issued or guaranteed by entities that meet the Fund's environmental criteria. The fund is introduced within the DDO starting from age 55 for ten years. It is also available as a self-select option. The fund is aimed at members who are looking to withdraw a cash lump sum at retirement and/or wish to minimise their exposure to the risk inherent in investment markets. However, over the long term, cash is likely to underperform other investment asset classes and inflation.

The underlying fund is actively managed by BlackRock. As at December 2023, the AMC and TER for the fund were the same, at 0.142% p.a. (based on data provided by Scottish Widows) and transaction costs of 0.013% p.a.

SELF-SELECT FUND RANGE

As at the Plan year end, the Plan's self-select Fund Range is comprised of 25 funds, including the three funds used in the DDO described above.

TERs deducted across the Plan's fund range (excluding AVCs) vary from 0.072% p.a. to 0.907% p.a. of the value of a member's investment in that fund. The TERs for the Plan's self-select Fund Range, also including the default funds noted above, are shown in the following table.

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs, which comply with the updated Administration Regulations. The Trustee has requested this information from the underlying fund managers, through the Plan's investment platform provider where applicable, and has included it in the below table.

FUND	ANNUAL MANAGEMENT CHARGE (% P.A.)	ADDITIONAL FUND EXPENSES (% P.A.)	TOTAL EXPENSE RATIO (% P.A.)	TRANSACTION COSTS (% P.A.)
Active Global Growth Equity	0.617	0.030	0.647	0.036
Active Global Equity	0.692	0.150	0.842	0.063
Active Emerging Markets Equity	0.817	0.090	0.907	0.188
Active Emerging Markets Debt	0.577	0.180	0.757	0.280
Active Global Corporate Bond	0.127	0.140	0.267	0.016
Active UK Corporate Bond	0.367	0.020	0.387	0.000
Active UK Property	0.667	0.050	0.717	-0.202
Active Multi-Asset Credit	0.517	0.110	0.627	0.010
Active Sustainable Equity	0.717	0.140	0.857	0.205
Active Diversified Growth *	0.387	0.020	0.407	0.152
Active Diversified Retirement *	0.323	0.031	0.354	0.124
Active Absolute Return	0.892	0.015	0.907	0.542
Passive UK Equity	0.072	0.010	0.082	0.081
Passive Global Small Cap Equity	0.402	0.000	0.402	0.081
Passive Emerging Markets Equity	0.172	0.073	0.245	0.021
Passive Global Equity	0.147	0.002	0.149	0.074
Passive US Equity	0.072	0.010	0.082	0.022
Passive Europe (ex-UK) Equity	0.072	0.020	0.092	0.014
Passive Japan Equity	0.072	0.020	0.092	0.031
Passive Pacific Rim (ex-Japan) Equity	0.072	0.015	0.087	0.000
Passive Gilt	0.072	0.000	0.072	0.031
Passive Index-Linked Gilt	0.072	0.010	0.082	0.149
Passive Islamic Global Equity	0.222	0.120	0.342	0.003
Pre-Annuity	0.117	0.000	0.117	0.000
Cash *	**0.142**	**0.000**	**0.142**	**0.013**

Figures provided by Scottish Widows, as at December 2023.
*Fund is part of the Diversified Default Option

LEGACY ADDITIONAL VOLUNTARY CONTRIBUTIONS ('AVCS')

As at 31 December 2023, there are members of the Plan with AVC investments in unit-linked funds and with-profits funds with Standard Life.

Standard Life provided the following charge and cost information for the funds invested in by the Plan:

FUND	TER (% P.A.)	TRANSACTION COSTS (% P.A.)
Pension Inflation Plus Fund*	*	0.029
Pension Millennium With Profits Fund*	*	0.041
Pension With Profits Fund*	*	0.077
Standard Life European Equity Pension Fund	1.024	0.022
Standard Life Far East Equity Pension Fund	1.084	0.036
Standard Life International Equity Pension Fund	1.022	0.108
Standard Life Managed Pension Fund	1.023	0.153
Standard Life Mixed Bond Pension Fund	1.018	0.106
Standard Life North American Equity Pension Fund	1.007	0.079
Standard Life Property Pension Fund	1.025	0.225
Standard Life Stock Exchange Pension Fund	1.023	0.121
Standard Life UK Equity Pension Fund	1.015	0.148
Standard Life Cash Pension Fund	1.008	0.079

Figures provided by Standard Life; as at December 2023.

* With respect to the with-profits and inflation plus policies, payouts on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, for with-profits policies the actual performance received by members, net of charges, is only known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of any 'smoothing'.

The Trustee, with the assistance of their adviser Mercer, undertook a thorough review of the legacy AVC arrangements in the latter half of 2022. As a result of this review, the Trustee wrote to members to remind them to ensure the suitability of their investments for their personal circumstances and of the alternative (cheaper) options available within the DC Section. The next review of the Plan's AVC options is scheduled for the second half of 2024.

ILLUSTRATIONS OF THE EFFECTS OF COSTS AND CHARGES

The Trustee fully supports transparency of costs for members. However, a key consideration for members is the performance delivered on a net of fees basis. In this respect, the Trustee believes that it is important to note that a cheaper fund may not necessarily deliver better value.

Using the costs and charges data as set out in this Statement, the Trustee has prepared illustrations detailing the impact of the costs and charges typically borne by a member of the Plan on their Retirement Account. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes".

The illustrations below have taken into account the following elements:

- Pension pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of costs and charges on a typical member's Retirement Account, the Trustee has provided an example below for a typical active member's pension pot.

The illustrations include member-borne costs, including TERs and transaction costs but does not include costs involved with trading in and out of the funds. Any transaction costs associated with buying and selling investments will be due to all investors buying and selling investment funds on the day and the actual amount (if any) is only known after the investments are traded. These costs are reflected in the unit price of funds.

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has made a number of assumptions about what these might be. The assumptions are explained below:

- The "before charges" figures represent the savings projection assuming an investment return with no deduction of member borne costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne costs, including TERs and transaction costs.
- The transaction cost figures used in the illustration are based on those illustrated previously.

The illustration is shown for the default arrangement and the lowest charging and highest charging self-select fund in which members are invested. The funds illustrated, as well as the DDO are:

- The fund with the highest member borne costs: **Active Absolute Return**
- The fund with the lowest member borne costs (based on the TER and average transaction costs in previous years): **Passive Pacific Rim (ex Japan) Equity.**

ILLUSTRATION 1: ACTIVE MEMBER (MEDIAN AGE)

	DEFAULT INVESTMENT OPTION (DEFAULT ARRANGEMENT)		ACTIVE ABSOLUTE RETURN FUND (MOST EXPENSIVE)		PASSIVE PACIFIC RIM (EX JAPAN) EQUITY (LEAST EXPENSIVE)	
AGE	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
37	£63,456	£63,456	£63,456	£63,456	£63,456	£63,456
40	£116,232	£114,531	£112,208	£107,768	£118,514	£118,241
45	£217,884	£210,693	£200,708	£183,349	£228,090	£226,884
50	£339,451	£322,500	£299,143	£261,146	£364,648	£361,685
55	£475,557	£444,245	£408,629	£341,222	£534,833	£528,942
60	£611,343	£562,807	£530,406	£423,646	£746,924	£736,470
65	£731,972	£666,053	£665,854	£508,485	£1,011,242	£993,964

Notes

1. Values shown are **estimates** at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £63,456 and this person is 37 years old. This member is assumed to retire at 65.
4. Inflation and salary increases are assumed to be 2.5% per annum.
5. The contribution rate is assumed to be 16% per annum with a salary of £90,000.
6. Member data has been sourced from Capita
7. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2023, shown earlier in this Statement.
8. From Scottish Widows' figures, the default strategy has an assumed TER of 0.407% p.a. more than 15 years from retirement, falling to 0.301% p.a. at retirement.
9. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End; consequently our assumptions are based on averages of the transaction costs for these five years, as follows:

DEFAULT ARRANGEMENT: DIVERSIFIED DEFAULT OPTION	0.155% p.a. more than 15 years from retirement, falling to 0.099% p.a. at retirement.
MOST EXPENSIVE FUND: MS ACTIVE ABSOLUTE RETURN	0.637% p.a.
LEAST EXPENSIVE FUND: MS PACIFIC RIM (EX JAPAN) EQUITY	0.001% p.a.

Where funds have negative average transaction costs over the period, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.

10. The projected real gross growth rates for each fund are based on Mercer assumptions, as follows:

DEFAULT ARRANGEMENT: DIVERSIFIED DEFAULT OPTION	3.66% p.a. real return more than 15 years from retirement, falling to 1.10% p.a. real return at retirement.
MOST EXPENSIVE FUND: MS ACTIVE ABSOLUTE RETURN	2.15% p.a. real return
LEAST EXPENSIVE FUND: MS PACIFIC RIM (EX JAPAN) EQUITY	4.5% p.a. real return

The Trustee previously issued an equivalent to this Statement for the period 1 January 2022 to 31 December 2022 (the "2022 Statement"). The 2022 Statement initially included an inaccurate illustration for the "Illustration 1: Active Member (median age)". (The illustration did not correctly include account for future contributions and therefore the illustrated values were understated.) The 2022 Statement was subsequently updated to correct this.

Additional example illustrations of the impact of costs and charges on a typical member's pension pot are provided below.

ILLUSTRATION 2: DEFERRED MEMBER (MEDIAN AGE)

	DEFAULT INVESTMENT OPTION (DEFAULT ARRANGEMENT)		ACTIVE ABSOLUTE RETURN FUND (MOST EXPENSIVE)		PASSIVE PACIFIC RIM (EX JAPAN) EQUITY (LEAST EXPENSIVE)	
AGE	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
45	£49,737	£49,737	£49,737	£49,737	£49,737	£49,737
50	£59,514	£57,862	£55,321	£51,195	£61,985	£61,712
55	£69,751	£65,990	£61,532	£52,695	£77,248	£76,571
60	£78,508	£72,466	£68,439	£54,240	£96,270	£95,007
65	£84,448	£76,303	£76,123	£55,829	£119,976	£117,882

Notes

1. Values shown are **estimates** at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £49,737, and this person is 45 years old. This member is assumed to retire at 65.
4. Inflation is assumed to be 2.5% per annum.
5. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2023, shown earlier in this Statement.
6. From Scottish Widows' figures, the default strategy has an assumed TER of 0.407% p.a. more than 15 years from retirement, falling to 0.301% p.a. at retirement.
7. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End; consequently our assumptions are based on averages of the transaction costs for these five years, as follows:

DEFAULT ARRANGEMENT: DIVERSIFIED DEFAULT OPTION	0.155% p.a. more than 15 years from retirement, falling to 0.099% p.a. at retirement.
MOST EXPENSIVE FUND: MS ACTIVE ABSOLUTE RETURN	0.637% p.a.
LEAST EXPENSIVE FUND: MS PACIFIC RIM (EX JAPAN) EQUITY	0.001% p.a.

Where funds have negative average transaction costs over the period, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.

8. The projected real gross growth rates for each fund are based on Mercer assumptions, as follows:

DEFAULT ARRANGEMENT: DIVERSIFIED DEFAULT OPTION	3.66% p.a. real return more than 15 years from retirement, falling to 1.10% p.a. real return at retirement.
MOST EXPENSIVE FUND: MS ACTIVE ABSOLUTE RETURN	2.15% p.a. real return
LEAST EXPENSIVE FUND: MS PACIFIC RIM (EX JAPAN) EQUITY	4.5% p.a. real return

ILLUSTRATION 3: YOUNGEST ACTIVE MEMBER

	DEFAULT INVESTMENT OPTION (DEFAULT ARRANGEMENT)		ACTIVE ABSOLUTE RETURN FUND (MOST EXPENSIVE)		PASSIVE PACIFIC RIM (EX JAPAN) EQUITY (LEAST EXPENSIVE)	
AGE	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
18	£1,313	£1,313	£1,313	£1,313	£1,313	£1,313
19	£3,801	£3,780	£3,765	£3,707	£3,821	£3,818
20	£6,380	£6,323	£6,270	£6,115	£6,443	£6,433
25	£20,764	£20,260	£19,624	£18,365	£21,428	£21,345
30	£37,980	£36,478	£34,477	£30,973	£40,103	£39,846
35	£58,587	£55,352	£50,998	£43,952	£63,377	£62,802
40	£83,253	£77,316	£69,374	£57,310	£92,381	£91,286
45	£112,777	£102,875	£89,813	£71,060	£128,529	£126,627
50	£148,068	£132,579	£112,546	£85,213	£173,577	£170,477
55	£186,490	£163,942	£137,831	£99,781	£229,718	£224,885
60	£222,583	£192,525	£165,955	£114,776	£299,683	£292,393
65	£251,820	£214,961	£197,236	£130,210	£386,877	£376,155

Notes

1. Values shown are **estimates** at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £1,313.21 (pot size for the youngest member), and this person is 18 years old. This member is assumed to retire at 65.
4. Inflation and salary increases are assumed to be 2.5% per annum.
5. The initial contribution amount is assumed to be £2,400.00 per annum (automatically set for employees to pay 2% and employer 8% of the employees benefit salary).
6. Charges assumed for each individual fund are as provided by Scottish Widows as at 31 December 2023, shown earlier in this Statement.
7. From Scottish Widows' figures, the default strategy has an assumed TER of 0.407% p.a. more than 15 years from retirement, falling to 0.301% p.a. at retirement.
8. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End; consequently our assumptions are based on averages of the transaction costs for these five years, as follows:

DEFAULT ARRANGEMENT: DIVERSIFIED DEFAULT OPTION	0.155% p.a. more than 15 years from retirement, falling to 0.099% p.a. at retirement.
MOST EXPENSIVE FUND: MS ACTIVE ABSOLUTE RETURN	0.637% p.a.
LEAST EXPENSIVE FUND AND HIGHEST EXPECTED INVESTMENT RETURN: MS PASSIVE UK EQUITY	0.001% p.a.

Where funds have negative average transaction costs over the period, we have assumed these costs to be nil, as negative costs are not expected to continue consistently over time.

9. The projected real gross growth rates for each fund are based on Mercer assumptions, as follows:

DEFAULT ARRANGEMENT: DIVERSIFIED DEFAULT OPTION	3.66% p.a. real return more than 15 years from retirement, falling to 1.10% p.a. real return at retirement.
MOST EXPENSIVE FUND: MS ACTIVE ABSOLUTE RETURN	2.15% p.a. real return
LEAST EXPENSIVE FUND: MS PACIFIC RIM (EX JAPAN) EQUITY	4.5% p.a. real return

ILLUSTRATION 4: AVCS

	STANDARD LIFE PROPERTY PENSION FUND (MOST EXPENSIVE)		STANDARD LIFE CASH PENSION FUND (LEAST EXPENSIVE)	
AGE	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
59	£34,671	£34,671	£34,671	£34,671
60	£35,266	£34,830	£34,511	£34,150
61	£35,873	£34,990	£34,352	£33,636
62	£36,489	£35,151	£34,195	£33,131
63	£37,116	£35,312	£34,037	£32,633
64	£37,754	£35,475	£33,881	£32,142
65	£38,403	£35,638	£33,725	£31,659

Notes

1. Values shown are **estimates** at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. The starting fund size is assumed to be £34,671, and this person is 59 years old. This member is assumed to retire at 65.
4. Inflation is assumed to be 2.5% per annum.
5. The member is assumed to be making no further contributions to the Plan.
6. Charges assumed for are as provided by Standard Life as at December 2023, shown earlier in this Statement.
7. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. Standard Life have only been able to provide historic transaction costs for these funds for the three years to 31 December 2023; consequently our assumptions are based on averages of the transaction costs for these three years, and are 0.21% and 0.04% respectively.
8. The projected gross growth rates are based on Mercer assumptions, and are 4.0% p.a. and 2.0% p.a. respectively (real).

Net return on investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

Since 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 5 and 10 year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

LIFESTYLES

DIVERSIFIED DEFAULT OPTION	ANNUALISED RETURNS TO DECEMBER 2023 (%)	
	5 YEARS	10 YEARS
AGE OF MEMBER		
25	6.7	4.9
45	6.7	–*
55	4.5	–*

Source: Scottish Widows and Mercer.

* 5 and 10y performance not available for the Mercer Diversified Retirement due to fund's inception date. Performance for the 10 years to retirement on the glide path unable to be calculated as longer-term performance not available for the Active Diversified Retirement Fund, which is part of the DDO glide path.

SELF-SELECT FUNDS

FUND	ANNUALISED RETURNS TO DECEMBER 2023 (%)			INCEPTION DATE
	5 years	10 years	Since Inception	
Active Global Growth Equity	15.7	16.8	16.0	30/11/2009
Active Global Equity	11.5	12.4	12.5	13/10/2011
Active Emerging Markets Equity	-2.5	2.3	3.6	13/10/2011
Active Emerging Markets Debt	2.4	2.9	2.1	13/10/2011
Active Global Corporate Bond**	1.3	–	1.2	14/11/2018
Active UK Corporate Bond	1.4	3.3	4.1	13/10/2011
Active UK Property**	0.4	–	0.4	16/11/2018
Active Multi-Asset Credit**	1.8	–	1.7	15/11/2018
Active Sustainable Equity**	9.9	–	9.6	17/12/2018
Active Diversified Growth	6.7	4.9	5.5	13/10/2011
Active Diversified Retirement**	3.9	–	3.4	01/11/2018
Active Absolute Return	1.0	0.7	1.8	13/10/2011
Passive UK Equity	6.0	5.1	5.5	13/10/2011
Passive Global Small Cap Equity**	9.7	–	8.9	10/12/2018
Passive Emerging Markets Equity**	3.2	–	3.2	13/11/2018
Passive Global Equity	10.0	7.9	6.8	13/10/2011
Passive US Equity	15.6	14.8	12.4	13/10/2011
Passive Europe (ex-UK) Equity	10.4	8.1	7.1	13/10/2011
Passive Japan Equity	7.1	8.1	5.5	14/10/2011
Passive Pacific Rim (ex-Japan) Equity	6.3	6.8	8.5	14/10/2011
Passive Gilt	-2.8	3.0	4.3	13/10/2011
Passive Index-Linked Gilt	-5.2	1.9	4.1	13/10/2011
Passive Islamic Global Equity*	–	–	14.2	16/09/2022
Pre-Annuity*	–	–	-3.2	15/06/2022
Cash	1.4	0.9	1.4	15/08/2006

Source: Scottish Widows and Mercer.

* 5 and/or 10y performance not available due to inception within the Plan. ** 10y performance not available due to inception within the Plan.

AVC FUNDS

FUND	ANNUALISED RETURNS TO DECEMBER 2023 (%)		
	5 years	10 years	15 years
Pension Inflation Plus Fund	*	*	*
Pension Millennium With Profits Fund	*	*	*
Pension With Profits Fund	*	*	*
Standard Life European Equity Pension Fund	10.2	7.1	8.1
Standard Life Far East Equity Pension Fund	5.3	6.4	8.5
Standard Life International Equity Pension Fund	10.3	8.9	10.3
Standard Life Managed Pension Fund	5.7	5.1	7.1
Standard Life Mixed Bond Pension Fund	-1.3	1.7	3.1
Standard Life North American Equity Pension Fund	14.8	13.6	13.9
Standard Life Property Pension Fund	0.6	3.7	4.2
Standard Life Stock Exchange Pension Fund	8.3	7.1	9.2
Standard Life UK Equity Pension Fund	4.7	3.5	7.1
Standard Life Cash Pension Fund	0.9	0.5	0.8

Source: Standard Life.

* Performance information is not available for With Profits funds. Members receive annual bonuses, which do not reflect the underlying fund's investment performance due to smoothing (keeping some of the return back in good years to support bonus rates in years where the investment return has been lower). The timing of the annual bonus varies by Provider. The amount a member will receive will depend on when they take their benefit and any terminal bonus payable at the time. The level of terminal bonus is dependent on a number of factors and typically is only guaranteed at the normal retirement age under the policy, or death. The Trustee will consider how best to improve reporting for net performance for With Profits Funds in the future in light of any updated statutory guidance.

Asset allocation disclosure

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 ("the 2023 Regulations") introduced new requirements for trustees and managers of certain occupational pension schemes.

For the first scheme year that ends after 1 October 2023, trustees or managers of relevant occupational pension schemes, are required to disclose their full asset allocations of investments from their default arrangements.

There are currently no performance-based fees being charged for the Plan as at 31 December 2023.

DIVERSIFIED DEFAULT OPTION

	PERCENTAGE ALLOCATION – AVERAGE 25 YEARS (%)	PERCENTAGE ALLOCATION – AVERAGE 45 YEARS (%)	PERCENTAGE ALLOCATION – AVERAGE 55 YEARS (%)	PERCENTAGE ALLOCATION – AVERAGE 65 YEARS (%)
Cash	4.81	4.81	4.99	25.84
Corporate Bonds	5.68	5.68	10.49	15.02
Government Bonds	14.24	14.24	19.66	24.78
Other Bonds*	3.07	3.07	3.05	2.30
Listed Equities	64.42	64.42	55.17	28.65
Property/Real Estate	7.28	7.28	6.00	2.72
Other**	0.91	0.91	1.01	0.91

Source: BlackRock, Western, Ruffer, Nordea, Threadneedle, Morgan Stanley, and M&G as at 31 December 2023.
Figures might not add up to a 100% due to rounding. ** Includes Absolute Return Fixed Income ** Includes Systematic Macro and Gold

Notes

Values shown are **estimates** at end of each year and Normal Retirement Age for the Fund is age 65, members have the opportunity of selecting their own retirement date.

The following describes the types of investments covered by the above asset classes:

- **Cash:** Cash and assets that behave similarly to cash e.g. treasury bills and repurchase agreements.
- **Bonds:** Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
- **Listed Equity:** Shares in companies that are listed on global stock exchanges.
- **Property:** Real estate, potentially including offices, retail buildings which are rented out to businesses.
- **Other:** Any assets that do not fall within the above categories

4. Value for Members

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Plan membership as a whole, when compared to other options available in the market. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee completed a review of the Plan's DC Section investments with relation to their value for members in April 2024, and considered the Plan year to 31 December 2023. As all member administration costs for the DC Section are met by the Company, the Trustee has only considered the investment charges (the AMC and other expenses that make up the TER), including the investment platform charge, for these funds as part of this review. The overall quality of the service received has also been considered in this assessment rather than fees alone.

"Value" is a not a straightforward concept to quantify and can be open to broad interpretation. The Trustee's value for money assessment examined the current investment management charges relative to the fees for equivalent size mandates, as well as Mercer's Manager Research Ratings and a review of the performance of the Plan's investment funds in the context of their investment objectives. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Where funds offered to members are highly rated by Mercer, are being offered at a competitive fee rate, and are performing satisfactorily over the longer term, the Trustee believes that they can be considered to be offering good value for members.

Based on these criteria, all funds in the fund range of the DC Section are highly rated, available at a fee rate that is generally competitive relative to the appropriate Mercer fund universe (accounting for mandate size) and have performed broadly well over the long term.

The Trustee has also considered the value of the default investment option (DDO) over the working lifetime of a member including how the total fee changes with the underlying fund allocations as members move towards retirement.

Accordingly, the Trustee believes the investment options available within the Plan's arrangements represent good value for members. The Trustee believes that the majority of the funds have met their long-term objectives. Overall, the Trustee believes that members are receiving good value for the charges they pay.

The Trustee reviews the Mercer Manager Research Ratings and investment manager performance on a quarterly basis. The Investment Committee also seeks to renegotiate investment manager fees from time to time, where appropriate, to continue to maintain good value for members.

The Trustee has also considered transaction costs as part of the value review. At this time, a meaningful assessment is difficult to undertake due to the lack of industry standards for comparison. Based on advice from its appointed investment advisers, the Trustee believes that transaction costs paid by members appear to be reasonable. The Trustee will continue to work with its advisers to monitor and assess the reasonableness of transaction c osts incurred.

The fact that members are not required to contribute to member administration and governance costs (for example advisor fees or the

cost of running a Trustee Board) greatly reduces the cost impact and represents a significant element of the value offered to Plan members. This is different from the AVC arrangements, which are separately held in life insurance policies with Standard Life, where member-borne charges do include administration and communication services.
The Trustee undertook an AVC review that was presented in November 2022. This review related to the With Profits and Unit-Linked funds with Standard Life. It is hard to compare with profits funds due to many factors, outlined in this report, and therefore hard to assess whether they offer value for members. Some of the unit-linked AVCs offered poorer value for members versus the main arrangements. As a result of these findings, the Trustee wrote to AVC members to remind them to ensure the suitability of their investments for their own personal circumstances and of the alternative (cheaper) options available within the DC section. Overall, the Trustee believes a bespoke AVC review is the most appropriate method of establishing value for AVC arrangements.

SECURITY OF ASSETS

The Plan undertakes periodic reviews, first undertaken in October 2014, of the financial protections available to members in the unlikely event of losses caused by the insolvency or other failure of one or more companies involved in managing the Plan's investments. Following input from the Trustee's legal and investment advisors, the Trustee is satisfied with the level of protection afforded to Defined Contribution assets.

5. Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

Trustee training is of high importance to the good running of the Plan. The Trustee Directors are required to have the necessary knowledge and understanding of:

- the Trust Deed and Rules of the Plan;
- the Statement of Investment Principles;
- all documents setting out the Trustee's current policies;
- the law relating to pensions and trusts; and
- the principles relating to the funding and investment of occupational pension schemes.

The Trustee Directors have demonstrated that they, both individually and collectively, have the necessary knowledge and understanding of the above matters to enable them to properly exercise their functions as Trustee. Over the Plan Year, the Trustee Board has undertaken the following actions to maintain and improve their knowledge and understanding:

- All Trustee Directors have access to the Trust Deed and Rules, SIP, current policies and all other relevant Plan documents through an online directory.
- The Trustee Directors were supported by professional advisers, who attended Trustee Board and Committee meetings and provided advice and support. The Trustee received advice from its professional advisers, in particular its legal adviser, prior to key decisions being taken, to ensure decisions were made in line with the Plan Rules and applicable legislation.
- All Trustee Directors are required to complete The Pensions Regulator's 'Trustee toolkit' training, which ensures all Trustee Directors have an understanding of legal and regulatory matters relating to pensions and trusts.
- The Risk Register is reviewed and updated annually. This demonstrates that the Trustee Directors have the required knowledge of the Pensions Regulator's DC Code and hold relevant knowledge on DC specific internal controls and the regulatory requirements; and
- The Trustee refers to the Trust Deed and Rules, where relevant, on deciding individual member cases.

ONGOING TRAINING

In order to maintain this level of knowledge, the Trustee has procedures and policies in place:

- Trustee Directors undertake additional ongoing training to ensure that they keep up to date with changes in legislation, current issues and the latest developments relating to DC plans;
- All training activities are recorded in a training log; and
- Trustee training is considered and reviewed throughout the year to determine any specific training and development needs. Training sessions are then planned accordingly.

Over the course of the last year, the Trustee Directors have demonstrated their continuous commitment to learning by undertaking training at investment committee or Trustee meetings:

- Implementation Statement Requirements (07/02/2023);

- Task Force on Climate-Related Financial Disclosures (TCFD) first year report review (01/03/2023 and 14/03/2023);
- Guaranteed Minimum Pension (GMP) Equalisation & training in methodology (14/03/2023);
- Benchmark tracking considerations training (02/05/2023);
- Environmental, Social and Governance (ESG) Review (06/11/2023);
- SIP review – illiquid investment policy and training (06/11/2023); and
- GMP Equalisation Training (08/11/2023).

In addition, individual Trustee Directors also received training outside of formal meetings through industry events, presentations from investment managers or other sources. The Trustee also received quarterly updates on pension trends and developments by Mercer Limited, the Plan's investment advisor.

TRUSTEE INDUCTION

There is an induction process in place for new Trustee Directors joining the Board, whereby detailed training sessions are run by the Plan's advisors, which cover legal, actuarial, and investment training. These sessions are Plan-specific and cover any knowledge gaps identified on appointment. New Trustee Directors are required to complete the Pension Regulator's Trustee Toolkit. New Trustee Directors are required to complete the Pension Regulator's Trustee Toolkit. During the Plan year, Matthew Garman, Donal Kinsella and Kiran Inamdar were appointed as new Trustee Directors and attended the necessary Trustee induction training sessions. The Trustee induction process and Plan-specific introductory training is reviewed to ensure that it is fit for purpose prior to any new Trustee Director receiving their training.

UTILISING ADVISORS

The Trustee believes that the best run Plans utilise the combined skill and knowledge of both the Trustee and their professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have applied during the period:

- The Trustee's professional advisors attend their formal meetings;
- The Trustee board contains Trustee Directors with wide ranging skills and experience, including pension experience; and
- The Trustee receives briefings from their advisors on all legislative and regulatory developments at each meeting.

ASSESSING EFFECTIVENESS

The Trustee Directors understand that knowledge and professional advice need to be used effectively in order for the Trustee to act properly. The examples below demonstrate the actions that have been taken to ensure this is the case:

- The Trustee Directors review training requirements throughout the year and identify any knowledge gaps for each Trustee Director which are then incorporated into the training schedule;
- The Trustee Directors have in place a training plan that is used to plan training ahead of annual events, including specific training on the Pensions Regulator's General Code which took place in March 2024, and following which compliance activities will take place over 2024.

Chair's declaration

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above Statement has been produced by the Trustee to the best of my knowledge.

Signature: [redacted]

Name: **Alanna Lee**

Position: **Chair of the Morgan Stanley UK Group Pension Plan**

Date: **30 July 2024**

Morgan Stanley

Statement of Investment Principles

Morgan Stanley UK Group Pension Plan

1. Introduction

1.1. The Trustee of the Morgan Stanley UK Group Pension Plan (the "Plan") has drawn this Statement of Investment Principles (the "Statement") to comply with the requirements of the following legislation:

- The Pensions Act 1995, as amended by the Pensions Act 2004 (the "Pensions Act"),
- The Occupational Pension Schemes (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
- Subsequent legislation.

1.2. As required by legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited ("Mercer", the "Investment Consultant"). The Trustee believes the investment consultant meets the requirement of Section 35(5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring employer (the "Company")

1.3. The Plan is primarily a Defined Contribution ("DC") arrangement although it also contains liabilities and assets from a previous Final Salary arrangement. The majority of this Statement is relevant to the DC element of the Plan. The policy relating to the Final Salary element is set forth in Section 5 of this Statement.

1.4. The Trustee's investment responsibilities are governed by the Plan's Trust Deed, and this Statement takes full regard of those provisions. A copy of the Plan's Trust Deed is available for inspection upon request.

2. Governance Structure

2.1. Overall investment policy falls into two parts. The strategic management of members' assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer, and is driven by its investment objectives as set out in Sections 4 and 5 below.

2.2. The remaining elements of policy relate to the day-to-day management of the assets by professional investment managers and is described in the Investment Policy Implementation Document (the "IPID").

2.3. In order to assist with the discussion of investment matters, the Trustee has established an Investment Committee, members of which are a sub-set of the Trustee board. This Investment Committee has been created in order to ensure that investment matters receive a sufficient degree of attention. A number of powers relating to investments have been delegated to the Investment Committee and these powers are set out in formal Terms of Reference. At each Trustee meeting, the Investment Committee is required to formally report to the Trustee any decisions taken, or any proposals that it is recommending to the Trustee.

2.4. In accordance with the Financial Services and Markets Act 2004, the Trustee will set general investment policy, but responsibility for selection of specific investments is held by the Plan's investment managers. This may include the use of pooled funds managed by an insurance company or companies. Under Section 36 of the Pensions Act, such investments are termed direct investments and are classed as retained investments. It is therefore the policy of the Trustee to obtain appropriate advice regarding the suitability of such investments on a regular basis. The investment managers shall be authorised under the Financial Services Act and shall provide the skill and expertise necessary to manage the investments of the Plan competently.

2.5. The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

3. Responsible Investment and Corporate Governance

3.1. Environmental, Social, and Corporate Governance ("ESG"), Stewardship, and Climate Change

3.1.1. The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

3.1.2. The Trustee expects the underlying managers to evaluate ESG factors (including climate change considerations, voting rights and stewardship obligations attached to investments) in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

3.1.3. The Trustee has determined the following key themes as the basis for the Plans "most significant votes" in respect of the investment manager engagement activities:

- **Environment** – Climate change: low-carbon transition and physical damages resilience.
- **Environment** – Pollution and natural resource degradation: air, water and land (forests, soils and biodiversity).
- **Social** – Human rights: Modern slavery, pay and safety in workforce and supply chains, and abuses in conflict zones.
- **Governance** – Diversity, Equity and Inclusion: inclusive & diverse decision-making; Pay and Executive Remuneration; company Board composition.

3.1.4. The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

3.1.5. These policies apply across the range of investment options made available to members including the default investment arrangement (i.e. the Diversified Default Option) and the self-select investment fund range.

3.2. Member views

3.2.1. Member views have not explicitly been taken into account in the selection, retention and realisation of investments, although feedback received from members is welcomed and considered by the Trustee. A specialist impact investment fund has been added to the fund range to cater for members who wish to invest their assets accordingly.

3.3. Investment Restrictions

3.3.1. The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is Scottish Widows Limited, the Plan's investment platform provider, that has the direct relationship with the third parties (and not the Trustee) offering the funds.

3.4. Implementation and Engagement Policy

3.4.1. The below table sets out the Trustee's approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

POLICY STATEMENT	THE TRUSTEE'S POSITION
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies.	The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, it will look to replace the manager. If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	The Trustee aims to meet with 1-2 of the underlying investment managers at each quarterly investment committee meeting and challenges decisions made including voting history and engagement activity, to try to ensure the best performance over the medium to long term. The Trustee considers the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. In addition, on an annual basis, it is the Trustee's policy to review the ESG policies of each of the underlying managers in the DC Section along with their voting and engagement records.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies.	The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) net of fees. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account. If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager and change managers where required. In addition, for the DB Section, the progression of the Plan's funding level (funding monitoring) is reviewed in a quarterly funding update.
How the trustees monitor portfolio turnover costs incurred by the asset manager.	The Trustee considers the DC Section's portfolio turnover costs as part of the annual value for money assessment. For the DB Section, The Trustee does not explicitly monitor portfolio turnover costs due to the nature of the mandate held. Overall performance is reviewed net of all fees and transaction costs.
How the trustees define and monitor targeted portfolio turnover or turnover range.	As the Plan invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, they will engage with an underlying manager if portfolio turnover is higher than expected.
How the trustees define and monitor the duration of the arrangement with the asset manager.	All the funds are open-ended. The DC Section's funds have no set end date for the arrangement and some of the DB Section's funds have set end dates; however, duration is considered as part of regular reviews. The DC Section's Fund Range and Default Strategy are reviewed on at least a triennial basis. An underlying manager's appointment may be terminated if it is no longer considered to be optimal or no longer has a place in the default strategy or general fund range.

4. Defined Contribution ("DC") Section

4.1. Investment Objectives

4.1.1. The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. It also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances and expected investment time horizon. The Trustee regards its duty to be to make available a range of investment options sufficient to enable members to tailor, to their own needs, their investment strategy.

4.1.2. The Trustee also recognises that members may not believe themselves qualified to make investment decisions. As such, the Trustee makes available the Diversified Default Option. The Diversified Default Option places the emphasis on producing a reasonable level of real return over members' working lifetimes, but with lower volatility than that offered by a pure equity strategy as a result of the more diversified range of assets that the Diversified Default Option invests in. It also encompasses a switch into asset classes, which are designed to reduce investment risk in the years approaching retirement.

4.1.3. The following encapsulates the Trustee's objectives:

- To make available a range of investment vehicles which serve to adequately meet the varying investment needs and risk tolerances of Plan members.
- To have the assets managed by investment managers believed to be of high quality, i.e. where there is a suitable level of confidence that the manager/s will achieve their performance objectives.
- To provide a means by which active management can be offered with the flexibility for the Trustee to change managers proactively.
- To monitor the underlying fund range on an ongoing basis and assess whether the Plan's investment options are meeting their objectives.
- To achieve competitive investment management and investment advisor fees.
- To provide a Plan framework which allows the most efficient fund switching possible in order to reduce members' out-of-market risk.

4.1.4. The Trustee regularly reviews the suitability of the options provided and from time to time will change or introduce additional investment options as appropriate.

4.1.5. The investment objectives and expected returns of the individual funds are provided in the IPID.

4.2. Risk

4.2.1. The Trustee has considered risk from a number of perspectives in relation to the DC Section, including the Diversified Default Option. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Market Risk The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension.	The Trustee provides members with a range of funds, across various asset classes, including actively and passively managed options. Members are able to set their own investment strategy in line with their aims and risk tolerances.	The performance of the available funds is monitored on a quarterly basis.
Interest Rate Risk The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure.	The Trustee provides members with a range of funds, across various asset classes, which will have varying sensitivities to interest rate risk.	The performance of investment funds and market fundamentals, including interest rates, are monitored on a quarterly basis. Together this helps the Trustee understand the effect that changes in interest rates are having on the funds.
Inflation Risk The risk that investments do not keep pace with inflation.	The Trustee provides members with a range of funds, across various asset classes, which have varying exposure to inflation risk. These include inflation index linked funds, as well as equities which are generally viewed to have inflation hedging properties.	Quarterly performance reports consider the long-term performance of the funds to help the Trustee assess whether the returns have kept pace with inflation.
Manager Risk The risk that the chosen underlying investment manager underperforms the benchmark against which the manager is assessed..	In particular, the Trustee has considered the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark. The Trustee believes active management skills exist and can be identified but not with complete certainty. As such the Trustee makes available to members both actively managed and passively managed funds.	The Trustee considers the ratings of investment strategies from their Investment Consultant during the selection process. It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.
Mismatch Risk The risk that the financial assets a member is invested in as they approach retirement are not suited to the way they will access their retirement benefit.	The Trustee has made a range of funds available to members including share, cash, and bond funds that can be selected by members as they approach retirement. The Diversified Default Option follows a lifestyle strategy which progressively switches to assets the Trustee expects will be less volatile to reduce mismatch risk for members targeting income drawdown.	It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis and identify how the characteristics of certain funds are suitable for different at-retirement options.
Liquidity Risk The risk that assets may not be readily marketable when required.	The pooled funds in which the Trustee allows members to invest provide the required level of liquidity. Units in the pooled funds in which the Plan invests are believed to be readily redeemable.	When considering new investment options or reviewing existing options, the Trustee considers the pricing and dealing terms of the underlying funds.
Concentration Risk The risk that a portfolio has an over-allocation to a single asset class, sector, country, or counterparty, thereby having a high exposure to non-systemic risk factors.	The Trustee has made a range of funds available to members, so that they can choose to invest in a well-diversified portfolio. The range of funds enables diversification by asset class (e.g. equity, bonds, cash), by region and includes both passively and actively managed funds, which can help achieve diversification.	It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis. The Trustee also periodically reviews the default investment option and self-select range, and as part of this considers the correlations or similarities between the available funds.
Sponsor Risk The risk that the sponsoring company of the plan will cease financial sponsorship.	The Trustee has considered the risk that the Company may be unwilling or unable to continue to contribute to the Plan in the future.	The Trustee has concluded that this risk is acceptable and that no further action is necessary to mitigate this risk at the current time. The Trustee will review this position in the event of any material changes in the sponsor's circumstances.
Exchange Rate Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The Trustee has made available a global equity fund that hedges 95% of its developed market currency exposure in order to manage the exchange rate risk associated with overseas investment. The allocations to global small cap equities and emerging market equities are unhedged. This fund is utilised as part of the Active Diversified Growth Fund and Active Diversified Retirement Fund, within the Diversified Default Option.	Monitoring the performance of investment funds on a quarterly basis, including quarterly market reviews considering the movements in foreign currencies relative to pound sterling.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Plan, e.g. extreme weather events, poor governance.	The Trustee's policy on ESG risks is set out in Section 3 of this Statement.	As set out in Section 3, monitoring is undertaken on a regular basis and is documented at least annually.

4.2.2. The Trustee regularly monitors these risks and the appropriateness of the investments in light of the risks described above.

4.3. Diversified Default Option

4.3.1. The Diversified Default Option is the default investment option for the Plan. It is a form of lifestyle strategy. Lifestyle strategies are designed to meet the objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.

4.3.2. Typically, a proportion of members will actively choose this option because they feel it is most appropriate for them. However, the vast majority of members do not make an active investment decision and are therefore invested in the Diversified Default Option by default.

4.3.3. The aims of the Diversified Default Option and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- **To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.**

  The Diversified Default Option's growth phase invests in equities and other growth-seeking assets by investing in the blended Active Diversified Growth Fund, the holdings of which are set out in the Plan's IPID. These investments are expected to provide equity-like growth over the long term and some protection against inflation erosion. The diversification provided by the component funds is expected to provide some downside protection from equity market falls.

- **To provide a strategy that reduces investment risk for members as they approach retirement.**

  As a member's pot matures, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. In view of the above, the Trustee considers the level of risk within the Diversified Default Option in the context of the variability of returns as members approach retirement.

  These aims are achieved via automated lifestyle switches over a fifteen-year period prior to age 65. Under this approach, contributions are invested in the Active Diversified Growth Fund until a member reaches the age of 50. From this age onwards, each quarter, a proportion of each member's accumulated growth assets are switched into the Active Diversified Retirement Fund and then the Cash Fund from age 55, linearly, in the manner described by the following table.

YEARS TO AGE 65

	ABOVE 15	15	14	13	12	11	10	9	8
Active Diversified Growth Fund	100.0%	98.4%	91.8%	85.3%	78.7%	72.1%	65.6%	59.0%	52.5%
Active Diversified Retirement Fund	0.0%	1.6%	8.2%	14.8%	21.3%	27.9%	33.8%	37.9%	42.1%
Cash Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	3.1%	5.5%

YEARS TO AGE 65

	7	6	5	4	3	2	1	0
Active Diversified Growth Fund	45.9%	39.3%	32.8%	26.2%	19.7%	13.1%	6.6%	0%
Active Diversified Retirement Fund	46.2%	50.3%	54.4%	58.5%	62.7%	66.8%	70.9%	75%
Cash Fund	7.9%	10.4%	12.8%	15.2%	17.7%	20.1%	22.6%	25%

- **To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan as allowed under the freedom and choice legislation.**

  At retirement, 75% of the member's assets will be invested in the Active Diversified Retirement Fund and 25% in the Cash Fund. If a member continues in the Plan past age 65, without converting their accumulated assets into a retirement benefit or leaving the Plan, then the allocation will periodically be re-balanced to the 75/25 split.

4.3.4. Brief descriptions of the objectives of each fund within the Diversified Default Option are given in the IPID.

4.3.5. The Trustee's policies in relation to the Diversified Default Option are detailed below:

- The Diversified Default Option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Diversified Default Option, the Trustee has considered the trade-off between risk and expected returns.
- The Trustee monitors various aspects of the Diversified Default Option as part of their quarterly monitoring reports. This includes monitoring the performance of the investment funds that make up the Diversified Default Option against the managers' return targets and monitoring the historic variability of returns of the Active Diversified Growth Fund against the MSCI World Index.
- Assets in the Diversified Default Option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustee has considered high level profiling analysis of the Plan's membership in order to inform decisions regarding the Diversified Default Option. Based on this understanding of the membership, and the availability of post-retirement solutions in the market at the time of the last review, a Diversified Default Option that targets drawdown at retirement is currently considered appropriate.
- Members are supported by clear communications regarding the aims of the Diversified Default Option and the access to alternative investment approaches.

  If members wish to, they can opt to choose their own investments from the range of self-select funds available. Moreover, members do not have to take their retirement benefits in line with those targeted by the Diversified Default Option; the target benefits are merely used to determine the investment strategy held pre-retirement.
- Assets in the Diversified Default Option are invested in daily traded pooled funds which hold liquid assets. The pooled funds are commingled investment vehicles which are managed by various investment managers (the "Investment Managers"). The selection, retention and realisation of assets within the pooled funds are managed by the respective Investment Managers in line with the mandates of the funds. The funds are accessed via an investment platform and are held through a long-term insurance policy issued by Scottish Widows Limited ("Scottish Widows", the "Investment Platform").
- The Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental, or ethical considerations are taken into account in the selection, retention and realisation of investments. As outlined in Section 3, the Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, the exercise of voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- The Trustee recognises that the Diversified Default Option is not a perfect match for any individual member's circumstances. In particular, this option provides little protection for the risk facing members who retire early or at short notice and who have either not yet reached the switching stage or are only partially through the switching process.
- Taking into account the demographics of the Plan's membership and the availability of post-retirement solutions in the market, the Trustee believes that the current Diversified Default Option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

- The expected and realised net return and risk characteristics of the funds underlying the Diversified Default Option are considered as part of the review process to ensure they are still consistent with the aims and objectives of the Diversified Default Option.

4.3.6. The Trustee's policy in relation to Illiquid Assets is detailed below:

- The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Plans' default arrangement, the Diversified Default Option (DDO), includes a direct allocation to illiquid investments, a 7.50% allocation to the Threadneedle Property Fund within the Active Diversified Growth Fund and 3.75% allocation to the Threadneedle Property Fund in the Active Diversified Retirement Fund. Members gain exposure to the Threadneedle Property Fund throughout the period they are invested in the DDO. Currently, illiquid investments held within the DDO are limited to property investments, which are held on a pooled basis. The Plans could also have indirect exposure to illiquid assets through its investment in the Ruffer Diversified Return Fund, which is a multi-asset fund that had a minimal allocation to illiquid assets as of 30 September 2023, but can hold illiquid assets from time to time. It comprises 11.25% of the Active Diversified Growth Fund and 8.13% of the Active Diversified Retirement Fund. Like the Threadneedle Property Fund exposure, members gain exposure to the Ruffer Diversified Return Fund throughout the period they are invested in the DDO.
- The Trustee is comfortable directly and indirectly investing a modest proportion of members' assets in illiquid assets through the Active Diversified Growth Fund and the Active Diversified Retirement Fund. This is in order to capture the potential for higher returns and benefits of diversification relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustee, it is also aware of the risks to members. Given the potential for valuations of illiquid assets to be uncertain at a given time and concerns over liquidity management (which has resulted in the Threadneedle Property Fund being gated from time to time), the Trustee maintains the direct investment into illiquid assets at a relatively modest proportion of total assets. Given these liquidity management concerns but balancing this against the expected future cashflow into the Plans, the DDO reduces a member's exposure to illiquid investments as they near retirement.
- In selecting investments for the DDO, the Trustee uses qualitative considerations and quantitative analysis/modelling to consider the combined effects of strategic allocations. For any further illiquid allocation in future, the Trustee will carefully consider whether the investment provides value for members taking account of the potential for returns and associated risks. It is the Trustee's policy to review the allocation of the DDO on at least a triennial basis. Such reviews will include whether the level of illiquid asset investments continues to be appropriate. This policy reflects the current position of the Plans. The Trustee is actively researching and considering whether further illiquid investments would enhance members' returns and will update the DDO if it believes it is in members' best interests to do so.

4.4. Additional Range of Funds

4.4.1. In addition, a range of self-select funds is offered to members.

4.4.2. The Trustee believes that the risks identified in Section 4.2 and objectives in Section 4.1 are best met by offering members a range of investment funds from which to choose. Full details of the funds currently available to members of the Plan can be found in the IPID.

4.4.3. A range of asset classes has been made available, including equities (regional, global, small cap, and sustainable), global bonds, UK bonds, UK property, diversified investments, and cash. A diversified growth fund and a diversified retirement fund, which are blended funds, are also available. It is the policy of the Trustee to offer both actively and passively managed funds depending on the asset class.

4.4.4. The Trustee offers specialist funds in the form of an Active Sustainable Equity Fund option and a Pre-Annuity Fund option for members. The Trustee is satisfied that this is consistent with its responsibilities to members.

5. Defined Benefit (“DB”) Section

5.1. Background Information

5.1.1. The Plan retains a Final Salary element where the liabilities consist of deferred pensioners and pensioners only. The pensioner liabilities have historically been secured through insurance policies. This policy was reviewed in mid-2019 and pensioner liabilities are now paid from the Plan as they fall due.

5.1.2. In considering the appropriate investments for the Plan, the Trustee obtained and considered the written advice from the Investment Consultant whom the Trustee believes to be suitably qualified to provide such advice.

5.2. Investment Objectives

5.2.1. The Trustee is required to invest the Plan’s assets in the best interest of the members, beneficiaries, the Company and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

5.2.2. The Plan’s funding basis is based on assumptions determined in such a way as to estimate the cost of securing the benefits built up in the Plan with an insurance company. The anticipated lifetime of the Plan is the expected time to secure all benefits in this way. Prior to retirement, the assets are assumed to grow at the nominal gilt yield curve minus 0.3%.

5.2.3. Until mid-2019, the Trustee’s policy was for benefits to be bought out with an insurance company on retirement. The Trustee has since updated its policy in the short-term so as to pay benefits to pensioners from the Plan as they fall due. The Trustee and Company will keep this policy under review.

5.2.4. The Trustee has concluded that the investment objective should be to continue to invest the Plan’s assets to minimise the volatility of the Plan’s funding position.

5.3. Risk Management and Measurement

5.3.1. There are various risks to which the DB Section of the Plan is exposed over its anticipated lifetime, and which may be financially material. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Interest rate and inflation risk The value of the Plan's liabilities will change in response to changes in interest rates and inflation.	The Plan hedges this risk with liability hedging instruments such as swaps and gilts. It is acknowledged that it is not possible to completely eliminate this risk due, for example, to an element of uncertainty in the Plan's liabilities.	Changes in the value of the assets and liabilities are assessed on a quarterly basis.
Asset volatility Investment in asset classes such as equities gives rise to volatility in the value of the assets.	The Plan invests in asset classes which are expected to closely match the Plan's liabilities, as far as possible, so that this risk is significantly reduced.	Changes in the value of the assets and liabilities are assessed on a quarterly basis.
Counterparty credit risk The Plan may use some interest rate and inflation swaps to hedge the Plan's interest rate and inflation risks. If the counterparties to these contracts default, the Plan may experience losses.	The Trustee will review the counterparty risk management processes of appointed swap execution managers, to be satisfied that this risk is substantially mitigated. In particular, any use of swaps would be collateralised, the credit quality of the counterparties kept under review, and with some diversification of swap counterparty exposure.	
Credit risk The Plan may invest in corporate bonds and money market instruments such as Floating Rate Notes. Any defaults or downgrades of these instruments may result in losses.	The Trustee will only take on credit risk to the extent that it is satisfied that the impact on total risk is acceptable and expects to hold investments that are predominantly or wholly investment grade (including Government gilts). Any credit risk taken on will be partially mitigated by investment in a range of different credit instruments (via pooled funds).	The Investment Committee reviews the Plan assets on a quarterly basis. This includes data on the allocation to investments with credit risk.
Liquidity risk The liquidity of investments may change over time, and this may have an impact on the expected transaction costs.	The Trustee has reviewed the likely cash requirements of the Plan and is satisfied that the investment arrangements provide sufficient liquidity. In addition, the Trustee explicitly considers transaction costs before any major restructuring of the Plan's assets.	The Investment Committee reviews the liquidity requirements as part of its triennial strategy review, and more regularly if deemed appropriate.
Longevity risk Longevity experience may differ from expectations, and that expectations may change over time.	The Trustee reviews the longevity assumption as part of the liability valuation every three years. Longevity risk is not currently hedged.	The Trustee considers sensitivity analysis of different mortality experience as part of the triennial valuation and carried out postcode analysis as part of the 2018 valuation.
Risks relating to the GMP underpin The Plan has an obligation to provide additional defined benefits ("the DB Underpin") for some DC members if the value of each member's DC assets are insufficient to secure a minimum level of benefits at retirement.	The Trustee recognises that the Plan is exposed, to a certain extent, to the risks arising from these members' underlying assets relative to the DB Underpin. The Trustee seek to mitigate this risk through investment in assets with similar characteristics but recognises that there are limited options available to fully or accurately mitigate this risk and monitors the situation on a regular basis.	The Investment Committee reviews this risk as part of its triennial strategy review, and more regularly if deemed appropriate.
Custody of assets The risk relating to the safekeeping of the Plan's assets.	Given that the Plan invests in pooled funds, the safekeeping of the underlying assets is undertaken by parties selected by the fiduciaries of the pooled funds.	
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.	The Trustee's policy on ESG risks is set out in Section 3 of this Statement.	The Trustee reviews its investment managers' policies and actions in relation to this on an annual basis.

5.4. Investment Strategy

5.4.1. In order to minimise deficit volatility in accordance with the Trustee's investment objective, the Trustee invests the Plan's assets in a range of fixed income and inflation-linked instruments. Specifically, the Trustee may invest in:

- Fixed interest and index-linked gilts.
- Interest rate and inflation swaps (backed by money market instruments).
- Corporate bonds and/or Cash/Money market funds.

5.4.2. The specific instruments held and the split between the above has been chosen to closely match the profile of the Plan's liabilities and may change over time to reflect changes in the liability profile.

5.4.3. Member views are not taken into account in the selection, retention and realisation of investments, but members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically.

5.4.4. The Trustee monitors the progression of the Plan's financial position given the investment objectives set out above, to assess whether the realised outcome is proving consistent with the level of risk expected, on an ad hoc basis.

5.4.5. A review of the investment strategy will result from observations that indicate that the risk tolerance has been breached.

6. Both Sections

6.1. Day-to-Day Management of the Assets

6.1.1. Additional Assets (in DB section)

- **Additional Voluntary Contributions ("AVC")**

AVCs can be invested in any of the DC fund options described in Section 2 of the IPID.

There are also some additional assets in respect of AVCs held in With Profits and Unit-Linked funds with Standard Life and Aviva (previously Friends Life). However, these options are only open to existing contributors to these funds.

- **Cash Balances**

The Trustee retains small working cash balances in a conglomerate bank account administered by Capita HR & Payroll Services.

- **DC Unallocated Reserves**

Historically non-vesting Company contributions, arising as a result of Plan members who left the DC section of the Plan with short service, have been treated as part of the DB section's assets. The unallocated reserves are used by the Firm to fund the DB Section of the Plan.

6.2. Realisation of Investments

6.2.1. In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

6.3. Monitoring the Investment Managers

6.3.1. The Trustee monitors the performance of the investments on a quarterly basis. Mercer is retained as the Investment Consultant to advise the Trustee on relevant investment issues.

6.3.2. The Trustee meets with the managers as and when necessary to discuss performance activity and other issues as required.

6.4. Investment Manager Fees

6.4.1. Details of the Investment Manager fees can be found in the IPID.

6.5. Investment Consulting Fees

6.5.1. Mercer's investment consulting fees are either based on fixed quotes for particular projects or, more normally, are on a fixed cost basis. This approach has proved satisfactory in the past. In addition, a separate fee is charged for the Mercer Workplace Savings ("MWS") service, which offers operational governance and investment services, and through which the Scottish Widows investment platform is accessed. The fee paid for the MWS services is partly charged to members as a basis point fee based on assets under management and is partly a fixed fee paid by the Company.

6.5.2. Mercer provides advice to the Trustee but does not have responsibility for decision making in any area. The role encompasses, but is not limited to, the following:

- Assistance in helping the Trustee to formulate investment objectives.
- Advice on investment strategy.
- Assistance in selecting and monitoring of investment managers.

7. Compliance with this Statement

7.1. The Trustee will monitor compliance with this Statement annually.

8. Review of this Statement

8.1. The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which it judges to have a bearing on the stated Investment Policy.

8.2. This review will occur at least every three years and without delay after any significant change in investment policy. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

April 2024