Annual Governance statement by the Chair of the Trustee Board

1 Introduction

The Travelers Pension Plan (the **Plan**) is a closed hybrid plan that provides both defined benefits and money purchase benefits.

To comply with statutory governance requirements, as the Chair of the Trustee board I have to provide members who have money purchase benefits, including Additional Voluntary Contributions (**AVCs**), with a yearly statement which explains what steps have been taken by the Trustee, with help from our professional advisers, to meet specific governance standards during the Plan year 1 April 2022 – 31 March 2023. The law sets out what information must be included in my statement and this is covered in sections 2 to 8 below.

The Trustee directors are committed to having high governance standards for both the defined benefit section and the defined contribution section of the Plan (the **DB Section** and the **DC Section** respectively) and we regularly monitor the controls and processes in place in connection with the Plan's investments.

I welcome this opportunity to explain what the Trustee does to help ensure the Plan is run effectively. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do not hesitate to contact me.

2 Default investment arrangement

The default investment arrangement is provided for members who have not specifically chosen an investment option for their contributions. Members can also choose to invest in the default investment arrangement which is set up by the Trustee. This year 98% of members had their contributions invested in the default investment arrangement.

2.1 Setting an appropriate investment strategy

The Trustee is responsible for investment governance. This includes setting and monitoring the investment strategy for the Plan's default investment arrangement. The default arrangement comprises two separate lifestyling strategies dependent on whether members started to de-risk their investments prior to, or after, 1 October 2015. We have chosen four Legal & General (**L&G**) funds: the Multi Asset Fund, the All World Equity Fund, the Future World Annuity Aware Fund and Cash Fund as underlying funds to the Plan's default investment arrangement. Details of the investment strategy and investment objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles (**SIP**). The SIP is included as an appendix to this Statement.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows:

- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC section. The default investment strategy will be a "lifestyled" approach, where funds are invested in asset classes with a higher expected rate of return at younger ages and gradually switched to funds that offer greater security closer to retirement in order to provide some protections against changes in annuity prices;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

2.2 Reviewing the default investment arrangement

The Trustee is expected to:

- review the default strategy and performance of the default investment arrangement at regular intervals being at least once every three years or without delay where there has been any significant change to the investment policy; and

- take into account the needs of the Plan membership when designing the default arrangement.

The last formal review of the default strategy was carried out in October 2020 as a result of the market volatility caused by the COVID pandemic. The updated investment strategy was then implemented in the first quarter of 2021.

In addition to the formal strategy review, the Trustee continues to monitor the investment strategy, objectives and the performance of the default arrangement at every Trustee meeting and on the advice of Barnett Waddingham, the Plan's investment advisers. This monitoring looks at both the performance of the funds to ensure that they are consistent with the stated aims and objectives, as well as any developments or changes to the fund structure or fund manager and is considered at all of the Trustee's main meetings during the Plan year. The Trustee's reviews during the Plan year concluded that the default arrangement was performing broadly as expected and is consistent with the aims and objectives of the default arrangement as stated in the SIP.

The Trustee is monitoring the use of the default investment arrangements and the choices being made by members when benefits come into payment. This will help to inform us about changes which are appropriate in future.

2.3 AVCs

The Plan has members with self-select AVCs with L&G and with-profits options that are provided by Standard Life. There is no default arrangement for AVCs.

3 Return on Investments

The Trustee is required to state the return on investments, after deduction of any charges and transaction costs, of all investment options members were able to select, and in which members' assets were invested, during the reporting period. We have taken into account relevant statutory guidance when preparing this part of the statement.

For the investment options where net investment returns vary with age, the investment returns are shown over 1 year, 3 year and 5 year periods for members aged 25, 45 and 55 at the start of the period.

The table below sets out the net investment returns for the version of the default lifestyle strategy where members started to de-risk their investments after 1 October 2015.

Age at start of investment period	**Annualised returns to 31 March 2023**		
	1yr net return	**3yr net return (p.a.)**	**5yr net return (p.a.)**
25	-3.43%	8.77%	4.82%
45	-3.43%	8.77%	4.82%
55	-3.43%	8.46%	3.34%

The table below sets out the net investment returns for the version of the default lifestyle strategy where members started to de-risk their investments before 1 October 2015.

Age at start of investment period	**Annualised returns to 31 March 2023**		
	1yr net return	**3yr net return (p.a.)**	**5yr net return (p.a.)**
25	-3.43%	8.77%	4.82%

45	-3.43%	8.77%	4.82%
55	-3.43%	8.00%	2.34%

The table below provides the annualised net investment returns for each of the self-select options available to members and in which members were invested in over the period covered by this statement.

LGIM Investment Fund	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
All World Equity Fund *	-1.15%	4.91%	-
Multi Asset Fund *	-4.65%	-1.00%	-
Future World Annuity Aware Fund **	-19.63%	-8.42%	-3.19%
Cash Fund	2.11%	0.68%	0.62%
Global Equity Fixed Weights (50:50) Index Fund	2.33%	14.58%	7.11%
Global Equity (70:30) Index Fund	1.67%	14.45%	6.60%
UK Equity Index Fund	2.91%	13.81%	5.02%
World (ex-UK) Equity Index Fund	-1.24%	16.70%	10.82%

* These funds have only been used in the Plan since 15 February 2021. The 3 year figures for these funds represent annualised performance from this date.

** This fund was previously known as the Pre-Retirement Fund.

The following table outlines information provided by Standard Life regarding the net investment returns for members invested in their AVC arrangement.

Investment Fund	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Standard Life Pension With-Profit One Fund *	1.75%	1.25%	1.05%

* The value of a with-profits fund is not directly exposed to fluctuations in the value of the underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (known as regular bonuses and terminal bonuses) which aim to provide members with a steady rate of return. Standard Life has confirmed that the figures in the table above comprise the regular annual bonuses (after charges) applied to members' accounts. Any terminal bonus is not included in the net investment return calculation as it is not applied until the policy is out of force.

4 Core financial transactions

The Trustee directors are required to report to you about the processes and controls in place in relation to the Plan's "core financial transactions". The law specifies that these include the following:

- transferring assets related to members into or out of the Plan;
- transferring assets between different investments within the Plan; and

- making payments from the Plan to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Plan administrator. Our Plan administration is delivered by Barnett Waddingham.

We have a binding legal contract in place with Barnett Waddingham that sets out agreed service levels which covers the accuracy and timeliness of all core financial transactions. Most transactions should be completed between two and ten working days, however, certain transactions and requests from members will take longer to process.

Barnett Waddingham have a team of seven individuals who work on the Plan administration. All work processed by the administration team is logged on Taskstream, Barnett Waddingham's in- house workflow logging system. This creates a task which is assigned a particular client deadline based on the SLA for the task type. Performance against these SLAs is regularly monitored by the administration team leader and Client Account Manager and is reported to the Trustee in the administration report at each Trustee meeting.

Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham's internal controls are audited annually and this is evidenced to the independent auditor.

Barnett Waddingham's systems and procedures have in-built controls which are audited to be in accordance with the requirements of AAF 01/20 (previously AAF 01/06) which ensures that all core financial transactions are processed correctly. Barnett Waddingham produces an annual Assurance Report on Internal Controls (AAF 01/20 and ISAE 3402) for its Pension Administration area, which addresses the processes and controls in place in relation to the Plan's "core financial transactions" which are set out above. The Assurance Report on Internal Controls which covers the period of the Plan year was shared with the Chair of the Trustee on 20 September 2023 but had been verbally discussed earlier in the year. The report can be found at: www.barnett-waddingham.co.uk/aaf-0120-report/. The report is based on the AAF 01/20 reporting framework, a voluntary code designed by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.

A series of control objectives have been set which a professional pension administration firm could reasonably be expected to meet. Barnett Waddingham then identifies a selection of its processes and controls which are intended to contribute to the achievement of the control objectives. Barnet Waddingham's service auditor, RSM, review the design of those controls and their operational effectiveness over the year. The AAF 01/20 reporting framework is consistent with the requirements of the ISAE 3402, so the report addresses both standards.

All member feedback received by Barnett Waddingham is recorded on their centralised database and a summary of each item is provided to the Trustee within the administration reports.

During the year to monitor Barnett Waddingham's performance, we:

- reviewed biannual governance reports which detail their performance against agreed service levels. These provided information on how promptly and accurately the Plan's core financial transactions were processed;
- reviewed Barnett Waddingham's annual Assurance Report on Internal Controls (AAF 01/20 and ISAE 3402) for its Pension Administration area, which addresses the processes and controls in place in relation to the Plan's "core financial transactions";
- reviewed any complaints received from members to identify whether there may be any weaknesses in their processes and controls; and
- scheduled fortnightly catch up and monitoring calls.

In the Plan year Barnett Waddingham undertook a review of the accuracy of data they hold for the Plan as part of the completion of the annual Scheme Return.

The completeness of the data held for each member is assessed on the basis of being classified as either:

- 'common data', which includes name, address, date of birth etc.; or
- Scheme Specific Data – which includes all data required on a member record to enable benefits to be recalculated.

As at December 2022, the Plan's data score for common data was assessed as 92.73% and the Scheme Specific Data Score was assessed as 60.50%.

I am pleased that in the last Plan year there have been no material administration service issues which need to be reported here by the Trustee and that all core financial transactions were processed promptly and accurately.

The Trustee has also delegated the administrative oversight of the AVC arrangements to Barnett Waddingham, as part of their administration of the Defined Benefit (**DB**) Section of the Plan. Barnett Waddingham would report any specific issues relating to the administration of these AVC policies to the Trustee at biannual governance meetings. There were no issues reported to, or identified by, the Trustee in connection with the promptness or accuracy of the processing of core financial transactions for the AVC policies.

At the date of preparing this statement, no issues in relation to the promptness or accuracy of processing core financial transactions had been identified as part of the preparation and audit of the Trustee's Report and Accounts for the year ending 31 March 2023.

We are confident that the processes and controls in place with Barnett Waddingham are robust and have ensured that the financial transactions which are important to members are dealt with properly.

5 Charges and transaction costs paid by members

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (**TER**). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude any costs, e.g. administration and investment costs, since these are not met by the members.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. 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.

Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

5.1 Charges

The default arrangement

The level of charges applicable to the Plan's L&G default arrangements, and the funds used within them, for the period 1 April 2022 to 31 March 2023 were:

Investment Fund	Charges (Total Expense Ratio)
Default Lifestyle Strategy (post 1 October 2015 version)	0.1312% - 0.2414%*

Default Lifestyle Strategy (pre 1 October 2015 version)	0.1442% - 0.2414%*
All World Equity Fund	0.2050%
Multi Asset Fund	0.2610%
Future World Annuity Aware Fund	0.1507%
Cash Fund	0.1247%

* The quoted charges for each lifestyle strategy are calculated as a composite of the underlying fund charges. These fund holdings (and therefore also the charges) vary depending on each member's term to retirement age.

Self-Select options

The range of the level of charges and transaction costs applicable to the L&G funds offered under the Plan which are **not** part of the Plan's default arrangements during the Plan year were:

Investment Fund	Charges (Total Expense Ratio)
Global Equity Fixed Weights (50:50) Index Fund	0.2071%
Global Equity (70:30) Index Fund	0.2157%
UK Equity Index Fund	0.1764%
World (ex-UK) Equity Index Fund	0.2250%

5.2 Transaction costs

The table below states the transaction costs disclosed by the fund manager for the period 1 April 2022 to 31 March 2023 (see notes below).

Investment Fund	**Transaction Costs for period 1/04/22 to 31/03/23**
All World Equity Fund	0.0601%
Cash Fund	0.0420%
Future World Annuity Aware Fund	0.0292%
Global Equity (70:30) Index Fund	0.0419%
Global Equity Fixed Weights (50:50) Index Fund	0.0460%
Multi Asset Fund	0.0443%
UK Equity Index Fund	0.0294%

World (ex-UK) Equity Index Fund	0.0649%

5.3 AVC arrangements

Members who have AVCs invested in the DC Section fund range with L&G will experience the same charges and transaction costs as outlined in sections 5.1 and 5.2.

The table below give the charges for funds in which members with legacy AVCs were invested during the course of the Plan Year.

Investment Fund	**Annual Management Charge % p.a.**	**Transaction Costs**
Standard Life Pension With- Profit One Fund	No explicit charge – *see Note 1 below.*	0.0292%

Note 1 Standard Life makes deductions from the fund to cover management expenses and the cost of guarantees. These are not expressed as explicit costs but in effect reduce the amount that is paid as “bonuses”.

6 Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of your pension savings can reduce the amount available to you at retirement. To demonstrate the impact of the costs and charges applied through the DC Section, in this year’s Chair’s Statement the Trustee has produced illustrations in line with the DWP’s statutory guidance on “Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes”. These illustrations are set out below and are designed to cater for representative cross-sections of the membership of the Plan’s DC Section.

For each individual illustration, each savings pot has been projected twice; first to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund.

To determine the parameters used in these illustrations, the Trustee has analysed the membership of the DC Section and ensured that the illustrations take into account the following:

- a representative range of pot sizes;
- a representative range of costs and charges, including the lowest and the highest; and
- a representative period of membership, covering the approximate duration that the youngest member would take to reach target investment age.

The Trustee has not included future contributions in these illustrations as the DC Section is closed to future contributions.

The following notes on the illustrations should also be read:

- Projected pot sizes are shown in today’s terms and do not need to be reduced further for the effects of future inflation.
- The starting pot sizes of £3,000, £23,000 and £50,000 have been selected as they reflect the 25th percentile, median and 75th percentile respectively (rounded to the nearest £1,000) based on membership demographics as at 31 March 2023.
- Unless stated, each illustration assumes up to 25 years of membership leading up to the Plan’s normal retirement age of 60.
- Values shown are estimates and not guaranteed.

- Each of the illustrations allow for the future impact of inflation which is assumed to be 2.5%p.a. This is why the real terms value of the savings pot does not increase over time for certain funds.
- The starting date for the illustrations is 1 April 2023.
- The projected growth rates, gross of costs and charges, for each fund or lifestyle strategy are in line with the most recent Statutory Money Purchase Illustration assumptions (SMPIs), and are outlined in the table below:

Investment option	Assumed return above inflation
Default lifestyle strategy (Post October 2015 version) *	0.75% - 3.68%
Default lifestyle strategy (Pre October 2015 version) *	1.71% - 3.68%
Multi-Asset Fund	3.50%
Cash Fund	-0.50%

*This is the range of assumed returns which will vary based on how far away a member is from their retirement date.

The illustrations are presented in two different ways:

- For the Lifestyle strategies the illustrations should be read based on the number of years until the member reaches their chosen retirement date. This is because the underlying asset allocations and therefore the costs and charges of the Lifestyle strategies change over time and this needs to be reflected in the illustrations.
- For the self-select funds the illustrations should be read based upon the number of years (from 1 April 2022) that a member expects to be invested in those funds.

Lifestyle Strategy (Post October 2015 version)

The Lifestyle Strategy (Post October 2015 version) is a default strategy in the Plan. The illustrations below assume the member is wholly invested in this strategy throughout their period of membership.

	Starting pot size: £3,000		Starting pot size: £23,000		Starting pot size: £50,000	
Years from NRD	**Before charges**	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
0	£3,000	£3,000	£23,000	£23,000	£50,000	£50,000
5	£3,304	£3,274	£25,333	£25,102	£50,366	£50,292
10	£3,928	£3,845	£30,117	£29,479	£55,072	£54,569
15	£4,685	£4,529	£35,917	£34,720	£65,472	£64,085
20	£5,587	£5,334	£42,835	£40,893	£78,081	£75,478

25	£6,663	£6,282	£51,084	£48,163	£93,119	£88,897

Note on how to read this table: If a member had £3,000 invested in this strategy on 31 March 2023, when they come to retire in 25 years, the fund could grow to £6,663 if no charges are applied but to £6,282 with charges applied.

Lifestyle Strategy (Pre-October 2015 version)

	Starting pot size: £3,000		Starting pot size: £23,000		Starting pot size: £50,000	
Years from NRD	**Before charges**	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
0	£3,000	£3,000	£23,000	£23,000	£50,000	£50,000
5	£3,364	£3,336	£25,794	£25,575	£56,074	£55,597
10	£3,989	£3,908	£30,580	£29,958	£66,479	£65,127
15	£4,757	£4,602	£36,470	£35,285	£79,282	£76,706
20	£5,673	£5,421	£43,493	£41,558	£94,551	£90,343
25	£6,766	£6,384	£51,870	£48,946	£112,761	£106,405

Note on how to read this table: If a member had £3,000 invested in this strategy on 31 March 2023, when they come to retire in 25 years, the fund could grow to £6,766 if no charges are applied but to £6,384 with charges applied.

Multi-Asset Fund

The Multi Asset Fund was the highest charged fund in the DC Section over the year. The illustrations below assume the member is wholly invested in this fund throughout their period of membership.

	Starting pot size: £3,000		Starting pot size: £23,000		Starting pot size: £50,000	
Years of membership	**Before charges**	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
0	£3,000	£3,000	£23,000	£23,000	£50,000	£50,000
5	£3,548	£3,500	£27,204	£26,836	£59,140	£58,340
10	£4,197	£4,084	£32,177	£31,313	£69,950	£68,071
15	£4,964	£4,766	£38,059	£36,536	£82,737	£79,425

20	£5,872	£5,560	£45,016	£42,630	£97,861	£92,673
25	£6,945	£6,488	£53,245	£49,740	£115,750	£108,131

Note on how to read this table: If a member had £3,000 invested in this strategy on 31 March 2023, when they come to retire in 25 years, the fund could grow to £6,945 if no charges are applied but to £6,488 with charges applied.

Cash Fund

The Cash Fund was the lowest charged fund in the DC Section over the year. The illustrations below assume the member is wholly invested in this fund throughout their period of membership.

	Starting pot size: £3,000		Starting pot size: £23,000		Starting pot size: £50,000	
Years of membership	**Before charges**	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
0	£3,000	£3,000	£23,000	£23,000	£50,000	£50,000
5	£2,928	£2,908	£22,444	£22,294	£48,792	£48,464
10	£2,857	£2,819	£21,902	£21,609	£47,614	£46,976
15	£2,788	£2,732	£21,373	£20,945	£46,464	£45,533
20	£2,720	£2,648	£20,857	£20,302	£45,342	£44,135
25	£2,655	£2,567	£20,353	£19,678	£44,246	£42,779

Note on how to read this table: If a member had £3,000 invested in this strategy on 31 March 2023, when they come to retire in 25 years, the fund could be worth £2,655 in real terms if no charges are applied or £2,567 with charges applied.

7 Value for members assessment

Regulations require the Trustee to assess the extent to which the Plan provides value for members.

The method to be used for this assessment changed for schemes with total assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Plan fits these criteria.

The assessment comprises three components:

- An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
- An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
- A self-assessment across seven key metrics of scheme administration and governance.

For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. In addition, costs and charges and net returns for popular self-select funds should be compared with those for the nearest comparable funds in the comparator schemes (or, where there is no comparable fund, a comparator scheme's default arrangement).

The value for members assessment was undertaken in accordance with the statutory guidance for the plan year. Analysis was undertaken by Barnett Waddingham LLP and the findings considered at a Trustee meeting on 4 October 2023, with the outcome confirmed shortly afterwards.

The Trustee used disclosures from three commercial DC Master Trust schemes for the relative components of the assessment.

The outcomes of the three components of the assessment were:

- Giving greater weight to the default investment arrangement, in which the large majority of assets are invested, costs and charges for the Plan were significantly lower than the average for the comparator schemes. The Trustee therefore concluded that the Plan provides good value for members in relation to costs and charges.

- Again, giving greater weight to the default investment arrangement, in which the large majority of assets are invested, net investment returns for the Plan were moderately higher than the average for the comparator schemes. The Trustee therefore concluded that the Plan provides good value for members in relation to net investment returns, however recognises that the Plan's default strategy may not be similar in structure or composition to those comparator strategies, which will affect how each strategy performs in the prevailing market conditions.

- The Trustee has considered all seven metrics across scheme administration and governance and concluded that the Plan provides good value for members in relation to these areas. The Trustee did not identify any areas of material concern however resolved to review those underlying areas in which the highest rating was not achieved to determine if improvements could be made where practical.

Taking the three components into account, the Trustee concluded that overall, the Plan provides good value for members.

8 Trustee knowledge and understanding

The law requires the Trustee board to possess, or have access to, sufficient knowledge and understanding to run the Plan effectively. Each Trustee Director must:

- be conversant with the trust deed and rules of the Plan, the Plan's statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Plan generally,

- have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

We take our training and development responsibilities seriously. An induction programme has been created for any new Trustee director to bring them up to speed. This programme covers Trustee duties, the pensions legislative and regulatory regime, the balance of powers under the Plan rules and the benefits offered by the Plan. We have implemented a more formal knowledge survey based on the Pension Regulator's Learning Need Analysis entitled "Trustee Knowledge and understanding: Plan your Learning" to check the Trustee directors knowledge gaps. We use the ratings from this survey to assess and identify knowledge gaps and key training topics for the Plan year for incorporation in the training plan. Further the Trustee directors will request training as required.

Our advisers supplement any topics flagged by the Trustee directors by identifying training opportunities for the upcoming year, including where key projects are identified in the business plan, where key strategic issues or changes in governance requirements arise.

This Plan year the Trustee Board engaged with professional advisers on a number of occasions (both at and outside of the scheduled meetings) for assistance with a range of DC matters, including:

- Carrying out an exercise to convert the GMP underpin of certain DC members
- Considering whether to transfer the DC section to a master trust, which continues to be under discussion
- Pension scams and the red and amber flags

All Trustee directors as at 31 March 2023 have completed the core modules of the Trustee toolkit made available by the Pensions Regulator.

To enable us to keep track of whether our training programme has been satisfied and knowledge gaps managed we keep a record of the training completed by each member of the board both externally and at Trustee meetings. This year members of the Board received training and updates on the following topics:

- Protected Tax Free Cash
- Key pensions ombudsman cases
- Actuarial Valuation training
- Notifiable Events
- The Pensions Dashboard

All of the key documents and policies relating to the Plan are kept electronically, are kept up to date and are available to the Board for reference at all times. All the Trustee directors are familiar with the current Plan documentation, including the Trust Deed and Rules, the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases.

Further, taking into account the above, the Trustee directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

We carry out a periodic board effectiveness assessment, which involves each of the Board members completing a questionnaire which is reviewed by the Chairman of the Trustees. We last undertook the assessment in February 2020.

Finally, all the Trustee directors are subscribed to several different knowledge sources through which they receive regular updates on pensions specific matters.

As a result of the training activities which have been completed by the Trustee directors, individually and collectively as a board, and taking into account the professional advice available to the Trustee directors, I am confident that the combined knowledge and understanding of this long serving Trustee board enables us to exercise our function as the directors of the Trustee properly.

Original version signed by the Chair of the Trustee on 27 October 2023

…………………………………………………….Judy O’Neill, Chair of the Trustee

Appendix – Statement of Investment Principles

Travelers Pension Plan

Statement of Investment Principles

Date prepared: 23 August 2023

Date agreed: 4 October 2023

Contents

1 Introduction

1.1 This is the Statement of Investment Principles prepared by the Trustee of the Travelers Pension Plan (the "Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and incorporates changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2 In preparing this statement the Trustee has consulted the Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4 The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5 The investment powers of the Trustee are set out in Rule 2.7 of the Plan's Consolidated Trust Deed and Rules, dated 3 April 2014. This statement is consistent with those powers. In general the Trustee is not restricted in the kind of investments it can make.

1.6 The Trustee may from time to time decide that there are some kinds of investments that it may not choose to make. There are no current self-imposed restrictions.

1.7 The Plan consists of the Defined Benefit (DB) Section and the Defined Contribution (DC) Section.

2 Choosing investments

2.1 The Trustee's policy for the DB Section is to set the overall investment target and then monitor the performance of their managers against that target. For the DC Section, the Trustee's policy is to offer a default investment arrangement suitable for the Plan's membership profile plus a core range of investment funds into which members can choose to invest their contributions and those contributions made by the employer. In doing so, the Trustee consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2 The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in the Appendices to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3 The Trustee reviews the appropriateness of the Plan's DB and DC investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending either the DB or DC investment strategy.

3 Investment objectives

3.1 The Trustee has discussed key investment objectives in light of an analysis of the Plan's liability profile (for the DB Section) and the Plan's membership profile (for the DC Section) as well as the constraints the Trustee faces in achieving these objectives.

3.2 The Trustee's main investment objectives for the DB Section are:

- to ensure that the Plan can meet the members' entitlements under the Consolidated Trust Deed and Rules, as they fall due. This is based on the assumption that the Plan continues in its present form and does not wind up in the near future;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the DB Section's required contribution levels;
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

3.3 The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the DB Section's liabilities. The Trustee has obtained exposure to investments that they expect will meet the DB Section's objectives as best as possible.

3.4 The Trustee's main investment objectives for the DC Section are:

- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC Section. The default investment strategy will be a "lifestyled" approach, where funds are invested in asset classes with a higher expected rate of return at younger ages and gradually switched to funds that offer greater security closer to retirement in order to provide some protection against changes in annuity prices;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

3.5 Within the DC Section, the Trustee is responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options.

4 Kinds of investments to be held

4.1 The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2 The Trustee monitors from time-to-time the employer-related investment content of their DB Section portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

5 The balance between different kinds of investments

5.1 The DB Section invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2 DC Section members can choose to invest in any of the funds detailed in Appendix 2 or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in Appendix 2.

5.3 The Trustee considers the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.

5.4 From time to time the DB Section may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items.

5.5 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation of the DB Section will be expected to change as the Plan's liability profile matures and the asset allocation of the DC Section may change as the membership profile evolves.

6 Risks

6.1 The Trustee has considered the following risks for the DB Section with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.

6.2 For the DC Section, investment risk lies with the members themselves. However, the Trustee has considered the following risks when making available suitable investment choices:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangement made available to members (see Appendix 2), the Trustee increases the proportion of assets that more closely match how they expect members to access their retirement savings.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the fund range offered to members to ensure member outcomes can be maximised, whilst providing communication to members from time to time explaining the importance of the level of contributions.

6.3 The following risks have been considered in the context of both the DB and DC Section:

Investment manager risk	The Trustee monitors the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging may be employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustee also undertakes an annual review of the internal controls and processes of each of the investment managers.

7 Expected return on investments

7.1 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3 In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the DB Section.

7.4 Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions (and the DB Section's funding position). The Trustee meets the Plan's investment managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

8 Realisation of investments

8.1 The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

8.2 Ultimately, the DB Section investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9 Financially material considerations, the exercise of voting rights and engagement activities, and non-financial matters

9.1 The Trustee has set policies in relation to these matters and these are set out in Appendix 3.

10 Governance

10.1 The Trustee of the Plan is responsible for the investment of Plan assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision making structure:

Trustee

- Select structures and processes for carrying out its role
- Select and monitor planned asset allocation
- Select direct investments (see below)
- Consider:
    - Selection of investment advisers and investment managers
    - Investment structures and their implication
- Monitor investment advisers and investment managers
- Monitor direct investments
- Make day to day decisions relevant to the operation of the Plan's investment strategy

Investment Adviser

- Advice on all aspects of the investment of the Plan assets, including implementation
- Advise on this statement
- Provide required training

Investment Manager and AVC Providers

- Operate within the terms of their written contracts
- Select individual investments with regard to their suitability and diversification

11 Agreement

11.1 This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Plan auditor upon request.

Signed:.. **Date:**....................

On behalf of the Trustee of the Travelers Pension Plan

Appendix 1 Note on investment policy of the Plan's DB Section in relation to the current Statement of Investment Principles

1 The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

Portfolio	Asset class	Allocation	Control range
Growth portfolio	**Equities**	**6%**	
	UK Equity	1.50%	± 0.21%
	North American Equity	0.75%	± 0.15%
	North American Equity (Hedged)	0.75%	± 0.15%
	Europe	0.75%	± 0.15%
	Europe (Hedged)	0.75%	± 0.15%
	Japan	0.27%	± 0.15%
	Japan (Hedged)	0.27%	± 0.15%
	Asia Pacific (ex Japan) Developed	0.24%	± 0.15%
	Asia Pacific (ex Japan) Developed (Hedged)	0.24%	± 0.15%
	Emerging Markets	0.48%	± 0.15%
Protection portfolio	**Bonds**	**94%**	
	Gilt Portfolio	46.0%	n/a
	Corporate Bonds	48.0%	n/a
Total		**100%**	

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The Plan rebalances on a regular basis, using the control ranges detailed in the table:

2 Choosing investments

The Trustee has appointed the investment manager Legal and General Investment Management to carry out the day to-day investment of the Plan. The Plan holds all the assets on the Legal and General Investment Platform. The transition onto the platform occurred in February 2022. As all assets are held with Legal & General, the move was purely operational and allowed for material investment manager fee savings.

The Plan is closed to new contributions and no further AVCs can be paid. The Trustee also has AVC contracts with Standard Life and Legal & General for the receipt of members' Additional Voluntary Contributions (AVCs). The AVC arrangement is reviewed from time to time.

The investment manager and AVC providers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each Fund is given below:

Investment manager	Fund	Benchmark	Objective
Legal & General	UK Equity Index	FTSE All Share	Track the index within +/- 0.25% p.a. for two years in three
	North America Equity Index	FTSE AW - Developed North America	Track the index within +/- 0.5% p.a. for two years in three
	North America Equity Index – GBP Hedged	FTSE AW - Developed North America – GBP Hedged	Track the index within +/- 0.5% p.a. for two years in three
	Europe (ex UK) Equity Index	FTSE AW - Developed Europe (ex UK)	Track the index within +/- 0.5% p.a. for two years in three
	Europe (ex UK) Equity Index – GBP Hedged	FTSE AW - Developed Europe (ex UK) – GBP Hedged	Track the index within +/- 0.5% p.a. for two years in three
	Japan Equity Index	FTSE AW - Japan	Track the index within +/- 0.5% p.a. for two years in three
	Japan Equity Index – GBP Hedged	FTSE AW - Japan – GBP Hedged	Track the index within +/- 0.5% p.a. for two years in three
	Asia Pacific (ex Japan) Developed Equity Index	FTSE AW - Developed Asia Pacific (ex Japan)	Track the index within +/- 0.75% p.a. for two years in three
	Asia Pacific (ex Japan) Developed Equity Index – GBP Hedged	FTSE AW - Developed Asia Pacific (ex Japan) – GBP Hedged	Track the index within +/- 0.75% p.a. for two years in three
	World Emerging Markets Equity Index	FTSE AW - All Emerging Markets Index	Track the index within +/- 1.5% p.a. for two years in three

Investment manager	Fund	Benchmark	Objective
Legal & General	Core Plus Fund	iBoxx Sterling Non Gilts Index	The Fund aims to exceed the return of the benchmark by 1.15% p.a. over a rolling three year period (gross of fees).
	Gilt Portfolio	Respective individual gilt indices	Track respective gilt index within stated tracking error

The performance of the investment manager will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3 Fee agreements

The fee arrangement with the investment manager is summarised below:

Investment manager	Fund	Annual Management Charge (p.a.)
Legal & General	UK Equity Index	0.050%
	North America Equity Index	0.090%
	North America Equity Index – GBP Hedged	0.115%
	Europe (ex UK) Equity Index	0.090%
	Europe (ex UK) Equity Index – GBP Hedged	0.115%
	Japan Equity Index	0.090%
	Japan Equity Index – GBP Hedged	0.115%
	Asia Pacific (ex Japan) Developed Equity Index	0.090%
	Asia Pacific (ex Japan) Developed Equity Index – GBP Hedged	0.115%
	World Emerging Markets Equity Index	0.260%
Legal & General	Core Plus Fund	0.270%
	Gilt Portfolio	0.045%

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

4 Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.

Appendix 2 Note on investment policy of the Plan's DC Section in relation to the current Statement of Investment Principles

1 The balance between different kinds of investment

The Trustee has made available a range of funds to suit the individual needs of the Plan's members. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustee has made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

The lifestyle arrangement is constructed from some of the funds mentioned above that are offered to members wanting to manage their own asset allocation decisions.

2 Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, having analysed the Plan's membership profile, the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested.

The table on the next page confirms in detail how lifestyling works, showing the target percentages of the fund that will be invested in each of the Legal & General funds between the ages 52 and 60. Once lifestyling commences, funds are switched on a quarterly basis.

For members who entered the lifestyling period prior to October 2015				
	Target percentage of your fund invested in each fund immediately before the stated birthday			
	Multi-Asset Fund	All World Equity Index Fund	Pre-Retirement	Cash
52nd birthday	65.00	35.00	0.00	0.00
53rd birthday	56.87	30.63	12.50	0.00
54th birthday	48.75	26.25	25.00	0.00
55th birthday	40.62	21.88	37.50	0.00
56th birthday	32.50	17.50	45.00	5.00
57th birthday	24.37	13.13	52.50	10.00
58th birthday	16.25	8.75	60.00	15.00
59th birthday	8.12	4.38	67.50	20.00
60th birthday	0.00	0.00	75.00	25.00

For members who enter the lifestyling period from 1 October 2015 onwards				
	Target percentage of your fund invested in each fund immediately before the stated birthday			
	Multi-Asset Fund	All World Equity Index Fund	Pre-Retirement	Cash
52nd birthday	65.00	35.00	0.00	0.00
53rd birthday	61.75	33.25	5.00	0.00
54th birthday	55.25	29.75	15.00	0.00
55th birthday	48.75	26.25	25.00	0.00
56th birthday	39.00	21.00	25.00	15.00
57th birthday	29.25	15.75	25.00	30.00
58th birthday	19.50	10.50	25.00	45.00
59th birthday	9.75	5.25	25.00	60.00
60th birthday	0.00	0.00	25.00	75.00

3 Choosing investments

The Trustee has appointed the investment manager Legal and General Investment Managers to carry out the day-to-day investment of the Plan. Legal and General Investment Managers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each Fund is given below:

Investment manager	Fund	Benchmark	Objective
Legal & General	UK Equity Index Fund	FTSE All-Share Index	Track the index within +/- 0.25% p.a. for two years in three
	World (ex UK) Equity Index Fund	FTSE Developed (ex UK) Index	Track the index within +/- 0.5% p.a. for two years in three
	Global Equity (70:30) Index Fund	Composite of 70/30 distribution between UK and overseas	Provide diversified exposure to the UK and overseas equity markets
	Global Equity Fixed Weights (50:50) Index Fund	Composite of 50/50 distribution between UK and overseas	Provide diversified exposure to the UK and overseas equity markets
	Multi-Asset Fund	ABI Mixed Investment 40-85% Shares Sector	Provide long-term investment growth through exposure to a diversified range of asset classes, excluding physical property
	All World Equity Index Fund	FTSE All-World Index	Track the index to within +/- 0.5% per annum for two years out of three
	LGIM Future World Global Equity Index	Solactive L&G ESG Global Markets Index	Track the performance of the Solactive L&G ESG Global Markets Index (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.
	LGIM Future World Multi-Asset Fund	ABI Mixed Investment 40-85% Shares Sector	Provide long-term investment growth through exposure to a diversified range of asset classes while reflecting significant ESG issues into the fund's investment strategy
	Pre-Retirement Fund	Composite of gilts and corporate bonds	Provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product
	Cash Fund	7 Day LIBID	Match the median return of similar funds as measured by the CAPS Pooled Pension Fund Update, without incurring excessive risk

The performance of the investment manager will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

4 Fee agreements

The fee arrangement with the investment manager is summarised below:

Investment manager	Fund	Annual Management Charge (% p.a.)
Legal & General	UK Equity Index Fund	0.100%
	World (ex UK) Equity Index Fund	0.220%
	Global Equity (70:30) Index Fund	0.160%
	Global Equity Fixed Weights (50:50) Index Fund	0.165%
	Multi-Asset Fund	0.250%
	All World Equity Index Fund	0.200%
	LGIM Future World Global Equity Index	0.225%
	LGIM Future World Multi-Asset Fund	0.300%
	Pre-Retirement Fund	0.150%
	Cash Fund	0.125%

Appendix 3 Note on Environmental, Social and Governance considerations, non-financial matters, the exercise of voting rights and engagement activities and manager arrangements in relation to Statement of Investment Principles

1 Policy on financially material considerations

The Trustee believes that environmental, social and governance ("ESG") factors are potentially financially material over the life of the Plan and therefore has a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments. The Trustee will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions. Furthermore, an investment manager's capabilities in this area will not take precedence over other factors, including (but not limited to) historical performance or fees.

In respect of the DC Section, the Trustee is aware of the different investment timeframes that members will have. Further to this, the Trustee believes that ESG issues, such as climate change, will be more material for members who are further from retirement. Therefore, within the Plan's DC Section default investment strategies, the Trustee considers the financial materiality of ESG, including climate change, over various timeframes and will consider changes in relation to this as part of their periodic investment reviews.

As the investments are held in pooled funds, ESG considerations are set by each of the investment managers. The Scheme's investment managers will ultimately act in the best interests of the Scheme to maximise returns for a given level of risk.

2 Non-financially material considerations

The Trustee does not make specific allowance for non-financial matters (such as members' ethical views) within the investment strategy. However, the Trustee considers that it is important to consider the provision of a suitable range of funds to be offered for members who wish to express an ethical preference in their pension saving and review these provisions from time to time.

3 Stewardship

The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee delegates the exercise of the rights (including voting rights) attaching to the Scheme's investments.

The Trustee acknowledges the importance of ESG and climate risk within its investment making framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity and credit holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks. The Trustee considers it to be a part of their investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider the investment managers' policies on engagement (including exercise of voting rights) and how these policies have been implemented.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan. The Trustee uses pooled funds, but expects the investment manager to employ the same degree of scrutiny. Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustee has made the Sponsoring Employer aware of their attitude to ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them

The Trustee has taken into consideration the UK Stewardship Code, and the investment managers all have stated corporate governance policies which comply with many or all of these principles. The Trustee will consider ESG, voting and engagement issues when appointing and reviewing managers (and reviewing the investment strategy of either the DB or DC Section) to ensure that they are appropriately taken into account given the asset class involved.

4 Manager arrangements

Conflicts of Interest

The Plan's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

Policy on arrangements with asset managers

Prior to appointing the investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Plan's investment consultant, and how they are aligned with the Trustee's own investment aims, beliefs and constraints.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.

The Trustee carries out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Plan and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on a periodic basis.

In the event that the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is/will be provided to the investment manager.

Time horizon for making decisions and engagement

The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee has acknowledged this in its investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer-term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.

The Trustee expects investment managers to vote and engage on behalf of the Plan's holdings and monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

Manager performance and remuneration

The Trustee monitors the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.

The Plan invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short-term dips in performance significantly affecting their revenue.

The Trustee asks the Plan's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

The Trustee acknowledge that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangements

For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.