

THE SLAUGHTER AND MAY 1988 MONEY PURCHASE SCHEME (the "Scheme") -
STATEMENT OF INVESTMENT PRINCIPLES

1. Purpose

This statement sets out the principles governing decisions about the investment of the assets of the Scheme. It has been prepared by the Scheme Trustee (the **Trustee**) to comply with section 35 of the Pensions Act 1995 (the **Pensions Act**) (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

2. Investment Advice

The Trustee has obtained and considered written advice from Aon Solutions UK Limited (**Aon**), the Scheme's actuaries and investment advisers, on the investment strategy and the insurance arrangements. Aon have confirmed to the Trustee that it has the knowledge and experience required under section 36(6) of the Pensions Act to provide this advice. It operates under an agreement to provide a full service designed to ensure that the Trustee is fully briefed both to take the decisions it takes itself and to monitor those that it delegates. Aon is paid on a time cost basis for work on the Scheme which enables the Trustee to select those services which it requires.

3. Consultation

The Trustee has consulted Slaughter and May (the **Firm**), as representative of the participating employers, on the content of this statement.

4. Investment Powers

The Trustee's powers of investment are set out in the Trust Deed and Rules of the Scheme (as amended). This statement is consistent with those powers.

5. Governance

The Trustee is responsible for the investment of the Scheme assets save that, within the range of investments selected by the Trustee, a member's Scheme assets must normally be invested as directed by the member. Following the closure of the Equitable Life With Profits Fund and move to Utmost Life and Pensions and Pensions Limited ("Utmost Life"). Should members not self-select these assets were invested in the Utmost 'investing by age' strategy. This strategy seeks to reduce risk over time depending on the member's age – this process is managed by Utmost Life.

The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. For this purpose the Trustee has established a decision making structure (see Appendix 1).

When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4) (see Appendix 1).

The Pensions Act distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract,

e.g. the purchase of an insurance policy or units in a pooled vehicle. Those purchased without a contract are known as **direct investments**.

The Trustee's investment arrangement consists of a number of unit linked life insurance contracts which are considered direct investments. Each pooled fund will have an underlying manager and the Trustee's policy is for the underlying managers' duties to include:

- Realisation of investments.
- Taking into account socially responsible factors.
- Voting and corporate governance in relation to the financial potential of the Scheme's assets.

The Trustee's policy is to review the range of its direct investments and to obtain written advice about them at regular intervals (triennially). When deciding whether or not to change the range of the direct investments the Trustee will obtain written advice. The written advice will also consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Fund managers are remunerated on an ad valorem basis. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

6. Review of these Investment Principles

The Trustee's policy is to review this statement at least every three years and immediately following any significant change in investment policy or the demographic profile of the members. The Trustee is required to take investment advice and consult with the Firm over any changes to this statement.

7. Arrangements with asset managers

All of the Scheme's assets are invested with Utmost Life in the form of unit linked life insurance policies held in the Trustee's name on behalf of the Scheme's individual members. As a result of these arrangements, the Trustee considered this to be a Wholly Insured Scheme as defined in The Occupational Pension Schemes (Investment) Regulations 2005 (regulation 8).

Given the nature of the agreements which the Trustee has with its investment managers, the Trustee believes it has a limited ability to incentivise its investment managers to align its investment strategy and decisions with the Trustee's policies in relation to stewardship, corporate governance and responsible investment.

Considering the nature of the unit linked life insurance policies and the various objectives of underlying members (e.g. time horizon and risk appetite) the Trustee believes that its investment managers are appropriately incentivised to make decisions relating to the medium and long term financial and non financial factors which may influence performance.

Should the Trustee be provided with any opportunity which it deems appropriate to incentivise its managers in relation to these areas it will consider this and will take steps as it deems appropriate.

The Trustee does not actively monitor the performance of the underlying investments of the unit linked life insurance policies however it will review their performance periodically. It also provides regular updates to members on the policies as and when they are provided by Utmost Life to the Trustee. Should the Trustee become aware of any issues and it deems it necessary, the Trustee may update members on issues such as poor performance.

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets although in this instance it believes its ability to effect change is limited. The Trustee publishes explicit charges and transaction costs in its annual Chair's Statement, which forms part of the Trustee Report and Accounts and is published online.

There is typically no set duration for arrangements with investment managers, as this is determined by the members' individual choices.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf.

8. Stewardship

The Trustee recognises the importance of its role as a steward of capital and where possible, the need to encourage good standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

Given the nature of the unit linked life insurance policies the Trustee believes that its ability to have a positive influence on these factors is minimal. While opportunities are expected to be limited, should it be possible for the Trustee to communicate its views on these factors to managers, and it is deemed by the Trustee to be appropriate, it may choose to do so. The Trustee does not actively monitor these factors.

Effective Date: 18 September 2020



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Director of Slaughter and May Pensions
Trustees Limited

Appendix 1

a) The Trustee's Decision Making Structure

Scheme Trustee

- sets structures and processes for carrying out its role
- approves investment strategy, investment objectives and restrictions
- appoints the Investment Sub-Committee
- approves the Statement of Investment Principles
- approves or rejects decisions and recommendations made by the Investment Sub-Committee

Investment Adviser

- advises on all aspects of the investment of the Scheme assets, including implementation
- advises on this statement
- provides required training

Fund Managers

- operate within the terms of this statement as reflected in their written contracts and in accordance with the Pensions Act
- select individual investments with regard to their suitability and diversification
- advise Trustee on suitability of the indices in their benchmark.

b) The Occupational Pensions Schemes (Investment) Regulations 2005

The Occupational Pensions Schemes (Investment) Regulations 2005 require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives