Statement of Investment Principles (SIP) – Thales UK Pension Scheme (May 2023)

Introduction

Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Thales Pension Trustees Limited (the "Trustee") is required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles pursued by the Trustee of the Thales UK Pension Scheme (the "Scheme").

The Trustee has consulted Thales Group UK Limited ("the Employer") on the principles set out in this statement and will consult the Employer on any changes to it. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

Before drawing up this statement, the Trustee has obtained and considered written advice from the Scheme's Investment Consultant. The Trustee will review this document regularly, at least every three years, and without delay following a significant change in investment policy.

The Scheme is comprised of two sets of assets, the DB assets and DC assets. The Investment Objective, Risk Management Policy and General Investment Policy adopted by the Trustee is detailed in this SIP.

The SIP will be made available to members on request and is made available on a public website, as per the regulations.

DEFINED BENEFIT ASSETS

Investment objectives

The funding objective of the Scheme is to be 100% funded on a technical provision basis.

The Trustee has also set an objective to target a full buy-in of the liabilities by the end of 2023.

The Trustee will review these objectives regularly and amend them as appropriate.

Investment strategy

The Trustee has received advice to determine an appropriate investment strategy for the Scheme consistent with achieving the objectives referred to above. The current strategy is to invest the Scheme's assets in such a manner to support the Trustee's objective of achieving a full buy-in by the end of 2023..

The Investment Sub-Committee will agree and oversee changes required to the investment policy to ensure the assets held are "insurance friendly" and can be included as part of an insurance transaction.

The guiding principles in managing the portfolio will be:

- To structure the liability hedge to broadly match the level of interest rate and inflation sensitivity used to determine buy-in pricing.
- To divest from assets that would not typically be included as part of a buy-in transaction (subject always to (i) such divestment being made with no or minimal value haircut and (ii) the Trustee consulting the Employer beforehand) and to deleverage the LDI portfolio and/or to increase the allocation to liquid, investment-grade credit assets / bonds, provided that such assets are held in a form to allow novation / in-specie transfer to buy-in providers / insurers.

The investment strategy includes a currency hedging overlay to partially hedge the Scheme's exposure to USD, Euro and Yen. Any exposure to emerging market currencies is unhedged.

The Trustee has delegated responsibility for all investment decisions to its Investment Sub-Committee ("ISC"). All decisions of the ISC will be recorded in committee minutes and made available to the full Trustee Board.

The ISC is governed by a Terms of Reference document. These are reviewed and agreed with the Trustee from time to time. All aspects of asset allocation strategy, liability hedging, manager structure and manager selection/de-selection will be decided by the ISC under its delegated powers.

The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets and/or sufficient distributable income generated by the investment policy tomeet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible. The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.

The assets held must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer, or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration.

The assets must consist predominantly of investments admitted to trading on regulated markets and that investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level.

No class of financial instruments is excluded from investment consideration.

Gilt repo, futures, swaps, options and other derivatives may be used for risk and efficient portfolio managementpurposes. Some short-term borrowing for settlement is allowed but is strictly limited and for the purpose of trade settlement.

The Trustee's policy is to review its investments and to obtain written advice regarding their suitability for the Scheme in respect of the requirements set out in Section 36 of the Pensions Act at regular intervals. This will normally be annually but may be less frequent if there have been no significant changes. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to a fund manager.

Risk Management

The Trustee recognises a number of risks involved in the investment of the Scheme's assets:

- Deficit risk:
  - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
  - at a scheme level the Trustee measures this risk using a Funding Ratio Volatility (%) metric.
  - is managed through assessing the progress of the actual growth of the liabilitiesrelative to the selected investment policy.
- Manager risk:
  - is measured by the expected deviation of the return relative to the benchmark set.
  - is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Scheme to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.
- Liquidity risk:
  - is measured by the level of cashflow required by the Scheme over a specified period.
  - is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through

holding assets of appropriate liquidity.

- Currency risk:
  - is measured by the level of exposure to non-Sterling denominated assets.
  - is managed by the implementation of a currency hedging programme (through a combination of a segregated currency hedging overlay and currency hedging carried out by some of the Scheme's investment managers) which reduces the impact of exchange rate movements on the Scheme's asset value.
- Interest rate and inflation risk:
  - is measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
  - is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Scheme's assets to better-match movements in the value of the liabilities due to inflation and interest rates.
- Political risk:
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk:
  - is measured by receiving regular financial updates from the Employer and periodic independent covenant assessments.
  - is managed through an agreed contribution and funding schedule.
- Counterparty risk:
  - is measured through a combination of market indicators (credit ratings and credit default swap spreads) and qualitative considerations.
  - is managed by having a diverse range of counterparties and through the negotiation of a suitable collateralisation process where appropriate. The Trustee has delegated the measurement and management of counterparty risk to the relevant investment managers.

DEFINED CONTRIBUTION ASSETS

Investment objectives

The main objective of the Trustee is to ensure that there are appropriate investment options available to allow members to plan for a retirement that is both adequate and sustainable for their circumstances.

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes and tolerance to risk.

The Scheme also has a default investment arrangement. An additional 'technical' default arrangement is also considered to exist, the Legacy Equitable Life With-Profits – Lifestyle Strategy; this was created when members invested in the Equitable Life With-Profits Fund were mapped to a newly-designed lifestyle arrangement. These are described in more detail in a separate section of this SIP.

Investment strategy and policies

The fund range the Trustee makes available includes a wide range of asset classes such as global equities, multi-asset funds, corporate bonds, diversified growth funds, bonds, gilts and money market instruments. Both active and passively managed funds are made available, depending on the asset class.

When considering appropriate investments for the DC assets of the Scheme, including the default investment arrangement, the Trustee has obtained and considered the written advice of a suitability qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The funds available are all white-labelled funds and the Trustee is responsible for the selection, appointment, removal and monitoring of the underlying investment managers.

A default lifestyle strategy is also available to members. This strategy seeks to gradually move the member's investments from higher to lower risk assets as the member approaches at retirement. If the member has more than 10 years to retirement they are invested in global equities and diversified growth funds. From 10 years before retirement age the member's assets are moved into less risky investments such as corporate bonds, gilts and money market instruments.

As members are able to make their own investment decisions the balance between the different kinds of investments is their decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. DC assets are invested in a long-term insurance contract with Scottish Widows. The assets underlying the insurance contract are invested in daily traded pooled funds which hold highly liquid assets, and therefore should be realisable at short notice based on either Trustee or member demand.

The items set out in this Section of the SIP are those that the Trustee considers to be financially material considerations in relation to the DC assets, and the default investment arrangement. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

Risk management

Risks in a defined contribution arrangement lie with the member themselves. The Trustee has considered risks from a number of perspectives when designing the DC investments for the Scheme.

- Inflation:
  - is measured through the performance of the funds and whether this in excess of inflation.
  - is managed through the majority of funds being offered expected to outpace the rate of inflation (positive 'real' return), the performance of funds is monitored on a regular basis. The growth phase of the default investment arrangement is invested in global equities and other growth-seeking assets which is expected to provide returns in excess of inflation.
- Market risk:
  - is measured through the volatility in the investment returns of the different funds.
  - is managed by offering a range of funds, enabling members to set their own investment strategy depending on their risk tolerance and attitude. The member investment brochure reports the level of expected volatility for each of the funds from high to low. A lifestyle strategy, which looks to reduce risk as the member approaches retirement, is made available. The default investment arrangement is designed to diversify this risk to a level deemed appropriate for the majority of members.

- Investment Manager risk

  - is measured by the performance of the investment strategy against its objectives and in an assessment of the Scheme’s professional advisers including their business management, portfolio construction, idea generation and implementation.

  - is managed by monitoring the performance of funds on a regular basis and regularly reviewing the suitability of the strategies and funds being offered. The Scheme’s investment consultant, Mercer, provides a rating of funds based on portfolio construction, idea generation, business management and implementation - these ratings are monitored on a regular basis.

- Benefit Conversion risk

  - is measured as the difference between how members will take their retirement and how members are invested.

  - the Trustee provides a wide range of funds which enables members to invest according to how they intend to access their pension savings, a lifestyle strategy is also made available which aims to de-risk a member’s savings as they approach retirement and their investment time horizon shortens. The default investment arrangement de-risks members gradually in the 10 years approaching their expected retirement age. The final allocation, at retirement, is 60% in Long-Dated Gilts and 40% in money market instruments. The Trustee believes this is the most suitable approach based on their understanding of the Scheme’s membership.

- Environmental, Social and Governance risk

  - is measured by the impact on investment returns from any environmental, social or governance factors

  - the management of this risk is the responsibility of the investment managers, the Trustee’s statements on ESG and stewardship are set out in a separate section of the SIP.

Default investment arrangement

The default option is a lifestyle arrangement where members who are 10 or more years away from their expected retirement age have their savings predominantly invested in funds which may be expected, over the long-term, to provide a reasonable rate of return relative to interest rates and inflation. The current default invests evenly in the Passive Global Equity Fund (LGIM 50:50 Global Equity Fund) and in the Diversified Growth Fund (Insight Broad Opportunities Fund) until a member is approximately 10 years from their target retirement age. At that time, it will gradually switch monies from the Passive Global Equity Fund into the Corporate Bonds fund until approximately 6 years from the member’s target retirement date, at which point monies start to gradually switch from the DGF and the Corporate Bonds fund to Long-Dates Gilts and Money Market. When the member reaches retirement date, assets will be split as follows: 60% Long-Dated Gilts and 40% Money Market assets. The strategy is appropriately designed for those members looking to buy an annuity to secure a certain level of income over the retirement period.

The default lifestyle strategy is expected, over the long-term, to provide a reasonable rate of return relative to interest rates and inflation when members are more than 10 years from retirement, this is the growth phase. Members’ savings are then gradually moved to funds with lower risk, designed to provide more protection from market volatility and relative to annuity prices.

During the growth phase of the default investment arrangement members are invested in global equities and other growth-seeking assets. The arrangement then de-risks into investment grade corporate bonds, index-linked gilts, long dated gilts and money market instruments; at retirement, after completion of de-risking, assets will be split as follows: 60% Long-Dated Gilts and 40% Money Market assets.

The investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The assets underlying the insurance contract are invested in daily traded pooled funds which hold highly liquid assets, and therefore should be realisable at short notice based on either Trustee or member demand.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is measured	How it is managed
Inflation Risk	Considering the real returns (i.e. returns above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.	The growth phase of the default investment arrangement is invested in global equities and other growth-seeking assets which is expected to provide returns in excess of inflation.
Benefit Conversion Risk	Member's investments do not match how they would like to use their pots in retirement.	The Trustee provides a wide range of funds, which enables members to invest according to how they intend to access their pension savings. A lifestyle strategy is also made available which aims to de-risk a member's savings as they approach retirement and their investment time horizon shortens. The default investment arrangement de-risks members gradually in the 10 years approaching their expected retirement age. The final allocation, at retirement, is 40% money market instruments and 60% in Long-Dated Gilts. The Trustee believes this is the most suitable approach based on their understanding of the Scheme's membership.
Market Risk	Monitoring the performance of the funds in the default investment strategy on a quarterly basis.	The Trustee reviews the appropriateness of the default strategy at least triennially. However, the default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.
Investment Manager Risk	In line with the 'investment manager risk' in the 'Risk Management' section of this SIP.	
Environmental, Social and Governance Risk	In line with the 'investment manager risk' in the 'Risk Management' section of this SIP.	

The risks identified in the above table are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age.

The Trustee reviews the investment arrangement, at least triennially or on the back of any significant change in demographic to ensure that assets remain invested in the best interests of members.

Members of this lifestyle arrangement are reminded (via their annual benefit statements) of the investments applying to their assets, this includes a reminder of the automated fund transfers that occur progressively throughout the 10 years leading up to their retirement age. Members have the opportunity to opt-out of this arrangement at any time.

The table below sets out the key features of this lifestyle investment arrangement and explains why the Trustee believe each one to be in members' best interests.

Default feature	Rationale for being in members' best interests
Members' accounts are invested in global equities and other growth-seeking assets (through a diversified growth fund). This investment arrangement applies until 10 years prior to their selected retirement age.	This asset allocation is designed to generate reasonable rates of return relative to interest rates and inflation during the growth phase of the strategy, whilst managing downside risk. Long-term returns in excess of earnings inflation are generally required for members to attain an adequate income in retirement. Whilst younger members can withstand the potential downside of equities (as they have sufficient time for markets to recover), the Trustee believe it prudent to include an allocation to diversified assets (and bonds) during the growth phase, since this is expected to mitigate the impact of any fall in the value of equities on members' accounts.
During the 10 years leading up to their expected retirement age, members' accounts are gradually transitioned away from global equities and other growth-seeking assets, to investment-grade corporate bonds, long-dated gilts and cash.	The asset allocation used during this 'risk-reduction' phase is expected to reduce investment risk for members as they approach retirement. This is achieved through a gradually increasing allocation to assets that are expected to broadly move in line with the costs of the benefit format they are expected to take at retirement. The strategy concludes with an asset split of: 60% Long-Dated Gilts and 40% Money Market assets.

Legacy Equitable Life With-Profits – Lifestyle Strategy

The Scheme also has a Legacy Equitable Life With-Profits - Lifestyle Strategy. This strategy was designed to replace, to the extent that it is possible to do so, the investment returns members may have expected from the Equitable Life With-Profits Fund. The initial target allocation is split as follows: 40% in global equities, 40% in diversified growth, 15% in corporate bonds and 5% in index-linked gilts. In the 15 years leading up to their expected retirement age, members' savings are gradually moved into funds with a lower-risk profile which are considered to offer more protection from market volatility. The strategy concludes with a 100% allocation to money market that broadly matches the expectation that members will take their funds entirely in the form of tax-free cash from the Scheme.

However, the AVC assets from Equitable Life were transferred to a newly-designed lifestyle arrangement without explicit member consent as the Trustee. Although the affected members were communicated with in advance (and had the opportunity to specify an alternative investment choice from the individual fund options available), their assets were transferred to the lifestyle arrangement by default where no alternative investment selection had been made. Whilst not a universal default investment arrangement, this lifestyle arrangement could be considered a 'default' for the members in question and a technical default for the Scheme.

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is measured	How it is managed
Inflation Risk	Considering the real returns (i.e. returns above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.	The growth phase of the default investment arrangement is invested primarily in global equities and other growth-seeking assets which is expected to provide returns in excess of inflation with a small allocation to Corporate Bonds and Index-Linked Gilts for diversification and risk management purposes.
Benefit Conversion Risk	Member's investments do not match how they would like to use their pots in retirement.	The Trustee provides a wide range of funds, which enables members to invest according to how they intend to access their pension savings. A lifestyle strategy is also made available which aims to de-risk a member's savings as they approach retirement and their investment time horizon shortens. The default investment arrangement de-risks members gradually in the 15 years approaching their expected retirement age. The final allocation, at retirement, is 100% money market instruments as the Trustee expects members to access savings as a cash lump sum at retirement.
Market Risk	Monitoring the performance of the funds in this investment strategy on a quarterly basis.	The Trustee reviews the appropriateness of this strategy at least triennially. However, the strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.
Investment Manager Risk	In line with the 'investment manager risk' in the 'Risk Management' section of this SIP.	
Environmental, Social and Governance Risk	In line with the 'investment manager risk' in the 'Risk Management' section of this SIP.	

The risks identified in the above table are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age.

The table below sets out the key features of this lifestyle investment arrangement and explains why the Trustee believe each one to be in members' best interests.

Default feature	Rationale for being in members' best interests
Members' Accounts are invested in global equities and other growth-seeking assets (through a diversified growth fund); a small allocation is also made to corporate bonds and index-linked gilts. This investment	This asset allocation is designed to generate reasonable rates of return relative to interest rates and inflation during the growth phase of the strategy, whilst managing downside risk. Long-term returns in excess of earnings inflation are generally required for members to attain an adequate income in retirement.

arrangement applies until 15 years prior to their selected retirement age.	Whilst younger members can withstand the potential downside of equities (as they have sufficient time for markets to recover), the Trustee believe it is prudent to include an allocation to diversified assets during the growth phase, since this is expected to mitigate the impact of any fall in the value of equities on members' Accounts.
During the 15 years leading up to their expected retirement age, members' Accounts are gradually transitioned away from global equities and other growth-seeking assets, to investment-grade corporate bonds, index-linked gilts, long-dated gilts and cash.	The asset allocation used during this 'risk-reduction' phase is expected to reduce investment risk for members as they approach retirement. This is achieved through a gradually increasing allocation to assets that are expected to broadly move in line with the costs of the benefit format they are expected to take at retirement. The strategy concludes with a 100% allocation to cash that broadly matches the expectation that members will take their funds entirely in the form of tax free cash from the Scheme.

Policies in relation to the default investment strategies

In addition to the Trustees' Investment Objectives (covered in Section 2), the Trustee believes that:

- The default investment arrangements manage investment and other risks through a diversified strategic asset allocation consisting of a diversified range of global asset classes. This is through actively and passively managed funds. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default investment arrangements, the Trustee has explicitly considered the trade-off between risk and expected returns. The balance between the different kinds of investments is expected to achieve a level of risk, and expected return, deemed appropriate for members. The Trustees received professional investment advice when designing the default options.
- If members wish to, they can opt to choose their own investment strategy on joining but also at any other future date.
- Assets are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- Assets are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

DEFINED BENEFIT AND DEFINED CONTRIBUTION ASSETS

Investment managers

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an investment manager or managers appointed by the ISC. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

The Trustee is not involved in the investment managers' day-to-day methods of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis by the ISC against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, and an acceptable level of risk.

The ISC will regularly review the continuing suitability of the Scheme's investments, including the appointed managers. The ISC seek long-term, ongoing partnerships with their investment managers to incentivise medium to long-term financial performance. The ISC does not set duration expectations for its partnerships but will monitor their suitability on an ongoing basis.

To incentivise medium to long-term financial performance, the ISC will assess investment manager performance over various periods including 3-year and since inception of the mandate. The ISC heavily biases its review of ongoing suitability of the investment manager on the assessment of the future performance expectations and the portfolio's role in supporting the overall investment objectives.

The ISC will review the turnover and ongoing investment costs on an annual basis using the Industry standard templates and definitions developed by the Cost Transparency Initiative (CTI).

Deviations from that range will be reviewed with the investment manager. For the DC assets, the Trustees consider investment charges and portfolio turnover costs as part of the annual Value for Members assessment. No targets are set in relation to turnover costs.

The ISC also requires each of the investment managers to conform to the Scheme's Statement of Investment Principles.

Responsible Investment

The Trustee believes that environmental, social and corporate governance (ESG) issues including the impact of, and potential policy response to climate change can be financially material to long-term investment portfolios and should therefore be considered as part of the Scheme's investment process.

The Trustee delegates responsibility for the Scheme's policy on ESG risks to the ISC.

The ISC has given their investment managers full discretion to evaluate ESG issues in the selection, retention and realisation of investments. The ISC believes that good active managers have considered how to best account for ESG factors, including climate change risks, in their investment process. The ISC will review how the active managers have identified and managed material ESG risks (including climate change) on a regular basis.

It is accepted that pooled investments will be governed by the individual policies of the investment managers. The extent to which ESG considerations and climate changes risk are taken into accountis left to the discretion of the pooled investment manager and forms part of the ISC's monitoring and ongoing assessment of these investments.

The ISC takes non-financial considerations into account in the selection of new asset classes and investment managers. Whilst it is the Trustee's preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is currently to act in the best financial interest of the members of the Scheme and at this stage, the Trustee and ISC do not require their investment managers to take non-financial matters into account in their selection, retention and realisation of investments. The Trustee does make available an actively managed socially responsible fund in the DC assets.

Stewardship: Exercise of voting rights

The Trustee believes that good stewardship can enhance long-term portfolio performance and is therefore in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty.

The Trustee delegates responsibility for the Scheme's policy on stewardship including the exercise of voting rights and engagement activities to the ISC.

The ISC delegate the day-to-day articulation of their policy, its monitoring and engagement to their Investment Advisor. The Investment Advisor provides the ISC with stewardship updates as part of its regular reports and escalates matters to them as necessary.

While the Scheme's investment managers are given full discretion in exercising stewardship obligations relating to the Scheme's investments, they are expected to prioritise stewardship and engagement activities in relation to the following ESG factors, which represent the ISC's priorities in relation to stewardship:

i. Climate change with focus on disclosures/reporting
ii. Modern Slavery
iii. Diversity & Inclusion

The ISC have chosen to prioritise these areas in particular as the ISC believes they can pose a material financial and/or reputational risk, are areas that the Scheme's investment managers are already focussing their engagement strategy on and are consistent with the Scheme's broader TCFD reporting requirements.

To incentivise the medium to long-term non-financial performance of its investments, the ISC will monitor the stewardship and engagement activities for each of its investment managers on an annual basis. The ISC expects all its fund managers to monitor investee companies and directly engage with management on all relevant stewardship matters including performance, strategy, risks, social and environmental impact and corporate governance to improve the issuer's performance on a medium to long-term basis. If a manager's level of engagement was viewed to be unsatisfactory, this would be escalated in the first instance by the Investment Advisor, who would feed-back to the manager that their current level and/or depth of engagement is not satisfactory, and encourage them to improve this, taking into account the Scheme's stewardship priorities. If this did not result in an improvement in the level of engagement, the next level of escalation would be for the ISC to voice their dissatisfaction with the manager on their level and/or depth of engagement. If this [still] did not result in any improvement, the ISC would consider whether the specific circumstances justified the termination of the mandate.

The ISC encourages best practice in terms of engagement with investee companies and expects the Scheme's investment managers to discharge their responsibilities in accordance with the principles of the Financial Reporting Council's 2020 UK Stewardship Code ("the Code"). The managers are required to report on the extent of their adherence to the Code, alongside their broader stewardship activities on an annual basis.

The Trustee will provide an implementation statement within its annual report signed after 1 October 2021. The implementation statement will set out how it has acted on the principles within this Statement and will provide details of the stewardship, engagement and voting undertaken with regards to the Scheme's investments.

Other matters

The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

The Scheme's AVC arrangement provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.

Signed:

P J Rowley

Name: Peter Rowley(Chair)

Date: 24 May 2023

Authorised for and on behalf of the Trustee of the Scheme