

Britannia Refined Metals Retirement Plan

Statement of Investment Principles

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Provided as separate documents:

Appendix 1 Note on investment policy of the DB and DC Sections as at June 2020 in relation to the current Statement of Investment Principles (public)

1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee Directors of the Britannia Refined Metals Retirement 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;
 - 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
 - the Occupational Pension Schemes (investment and Disclosure) (Amendment) Regulations 2018.
- 1.2. In preparing this statement the Trustee Directors have consulted Britannia Refined Metals Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee Directors' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.
- 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 Directors 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 Directors are set out in Clause 10 of the Definitive Trust Deed & Rules, dated 25 June 2012. This statement is consistent with those powers.
- 1.6. The Plan has a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section. The Trustee Directors give active members of the DB Section, who had commenced paying Additional Voluntary Contributions ("AVCs") prior to 2006, the opportunity to invest AVCs in the range of funds made available under the DC Section.

2. Choosing investments

- 2.1. The Trustee Directors' policy when choosing investments 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 Directors' policy is to offer a default investment arrangement suitable for the Plan's membership profile, other optional lifestyle investment arrangements plus a core range of investment funds into which members can choose to invest their contributions and those contributions made by the employer.
- 2.2. In choosing appropriate investments for the Plan, the Trustee Directors consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.3. 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 Appendix 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.
- 2.4. The Trustee Directors review the appropriateness of the Plan's 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 Directors will also consult the employer before amending the DB or DC Sections' investment strategy.

3. Investment objectives

3.1. The Trustee Directors have 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 Directors face in achieving these objectives.

DB Section

3.2. The Trustee Directors' main investment objectives are to:

- ensure that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- achieve a long-term positive real return;
- manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the employer, the cost of the benefits which the Plan provides;
- reduce the risk of the assets failing to meet the liabilities over the long term;
- 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 Directors are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustee Directors have obtained exposure to investments that it expects will meet the Plan's objectives as best as possible.

DC Section

3.4. The Trustee Directors' main investment objective for the DC Section is to invest members' accumulated contributions under the Plan appropriately, taking into account:

- the risk that the investment return achieved on a member's account over the member's working life will not keep pace with price and wage inflation;
- the risk that investment market movements in the period immediately prior to retirement may lead to a substantial reduction in the anticipated level of benefits;
- the various methods that members are able to take their benefits from the Plan.

3.5. Within the DC Section, the Trustee Directors are 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 Directors monitor from time-to-time the employer-related investment content of their 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 Trustee Directors are aware that the appropriate balance between different kinds of investments for the DB Section will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures. Similarly, the asset allocation of the DC Section may change as the membership profile evolves.
- 5.2. The Trustee Directors consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

DB Section

- 5.3. The DB Section invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within the Appendix 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 any short-term cashflow requirements or any other unexpected items.

DC Section

- 5.5. DC Section members can choose to invest in a range of funds. Where members do not choose where their contributions are invested, the Trustee Directors will invest these contributions according to the default investment strategy.

6. Risks

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

Risk versus the liabilities	The Trustee Directors 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's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant and the guarantee currently in place offered by the employer's parent company Glencore plc.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee Directors are 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 the Appendix to this Statement and is monitored on a regular basis by the Trustee Directors.
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.

- 6.2. Details in relation to the risks considered to be specific for the DC Section are set out in the DC Section Appendix.
- 6.3. The following risks have been considered in the context of both the DB and DC Sections:

Investment manager risk	The Trustee Directors monitor 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 Directors have a written agreement with each investment manager for the DB Section and the investment provider for the DC Section, which contains a number of restrictions on how each investment manager and investment provider 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 is employed, where appropriate, 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 Directors. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustee Directors have regard to the relative investment return and risk that each asset class is expected to provide. The Trustee Directors are advised by their professional advisors on these matters, who it deems to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustee Directors recognise 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 Directors recognise 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 Directors monitor 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 Directors meet the Plan's investment managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

- 8.1. The Trustee Directors have delegated the responsibility for buying and selling investments to the investment managers. The Trustee Directors have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the DB Section's investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee Directors are 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's accounts.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

Policy on Environmental, Social and Governance (“ESG”) considerations

- 9.1. The Trustee Directors have considered long-term financial risks to the Plan and believe that ESG factors, including climate risk, are potentially financially material and will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Plan’s investments in order to avoid unexpected losses.
- 9.2. Given the Plan remains open to accrual and the objective to fund future member benefits from the Plan’s assets as they fall due, the Trustee Directors have a long-term time horizon over which they take into account the financial materiality of ESG factors (including, but not limited to, climate change).
- 9.3. From time to time, the Trustee Directors may ask the Plan’s investment managers to attend meetings and provide updates on the funds, which the Trustee Directors may request to include an update on ESG considerations.
- 9.4. The Trustee Directors will be reliant on the information presented by the investment managers regarding the extent to which an investment manager allows for ESG factors in making their investment decisions. Furthermore, an investment manager’s excellence in this area will not take precedence over other financially material factors, including (but not limited to) historical performance or fees.
- 9.5. As the investments are held in pooled funds, ESG considerations are set by each of the investment managers. The Plan’s investment manager will ultimately act in the best interests of the Plan’s assets to maximise returns for a given level of risk. The Trustee Directors will assess how this aligns with their own policies as set out in Appendix 1.
- 9.6. The Trustee Directors have not imposed any restrictions relating to ESG issues on their investment managers and have not imposed any exclusions on their investment arrangements based on ESG factors.

Policy on stewardship

- 9.7. The Trustee Directors believe that good stewardship and positive engagement can lead to improved governance and potentially better risk-adjusted returns.
- 9.8. As an investor in pooled funds in both the DB and DC Sections, the Trustee Directors currently adopt the policy of delegating the exercise of the rights (including voting rights) attaching to the Plan’s investments to the investment managers, who are signatories to the UK Stewardship code (except CBRE) and all managers are signatories to the UN Principles of Responsible Investment. The Trustee Directors expect the investment managers to take account of ESG factors and climate risk when exercising these rights and will monitor this through the annual Implementation Statement.
- 9.9. The Trustee Directors also delegate undertaking engagement activities, which include entering into discussions with company management in an attempt to influence behaviour, to the investment managers. As part of this, the Trustee Directors expect their investment managers to assess and monitor developments in the capital structure for each of the companies in which the managers invest (the Trustee Directors recognise that this may not be the case where portfolios are managed on a passive basis). This should include monitoring developments in ESG-related issues, and in particular climate risk, across relevant parts of the capital structure. This expectation has been communicated to the Plan’s investment managers.

- 9.10. In selecting and reviewing their investment managers, where appropriate and applicable, the Trustee Directors will consider the investment manager's policies on engagement and ESG, and how those policies have been implemented. If the Trustee Directors find that any investment manager is not engaging with the companies in which the manager invests in a suitable manner or is not taking sufficient account of ESG matters in its exercising of voting rights, they will engage with that investment manager with the help of the Plan's Investment Consultant and with the pension provider (Aviva) for the DC Section.
- 9.11. The Plan's investment consultant, Barnett Waddingham, is independent and no arm of its business provides investment management services. This, and its FCA Regulated status, makes the Trustee Directors confident that the investment manager recommendations Barnett Waddingham make are free from conflicts of interest.
- 9.12. The Trustee Directors expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so, the Trustee Directors believe they have appropriately managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee Directors/investment manager and the companies in which the manager invests.

10. Policy for considering non-financial matters

- 10.1. When constructing the investment strategy and selecting investment managers, the Trustee Directors do not allow for non-financial matters.

11. Agreement

- 11.1. This statement was agreed by the Trustee Directors 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.

Date: September 2020

Appendix 1 Note on investment policy of the DB and DC Sections as at June 2020 in relation to the current Statement of Investment Principles

1. DB Section – choosing investments

The Trustee Directors have appointed the following investment managers to carry out the day-to-day investment of the Plan:

- Legal & General Investment Management (Equity);
- Baillie Gifford & Co. Limited (DGF);
- Columbia Threadneedle Investments (DGF);
- M&G Investment Management Limited (Illiquid Credit Opportunities Fund);
- CBRE Global Investment Partners Limited (legacy Property holding in the process of being liquidated);
and
- Insight Investments (LDI and collateral).

The Trustee Directors also have AVC contracts with The Prudential Assurance Company Limited and Aviva Life & Pension UK Limited (formerly known as Friends Life and Pensions Limited) for the receipt of members' Additional Voluntary Contributions (AVCs). These are additional benefits on a money purchase basis for only those members electing to pay AVCs or transferring pension benefits into the Plan. Members participating in this arrangement will receive an annual statement confirming the amounts held on their behalf and the movements in the year. No administrative costs are deducted from the members' money purchase section investments.

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

The investment benchmarks and objectives for each investment manager in the strategy are given below.

Investment manager	Fund	Benchmark	Objective
Legal & General Investment Management	UK Equity Index	FTSE All-Share Index	To track its benchmark to within +/-0.25% p.a. for two years out of three
	North America Equity Index	FTSE World North America Index	To track its benchmark to within +/-0.5% p.a. for two years out of three
	North America Equity Index – GBP Hedged	FTSE World North America Index - GBP Hedged	To track its benchmark to within +/-0.5% p.a. for two years out of three
	Europe (ex. UK) Equity Index	FTSE Developed Europe ex. UK Index	To track its benchmark to within +/-0.5% p.a. for two years out of three
	Europe (ex. UK) Equity Index – GBP Hedged	FTSE Developed Europe ex UK Index - GBP Hedged	To track its benchmark to within +/-0.5% p.a. for two years out of three
	Japan Equity Index	FTSE Japan Index	To track its benchmark to within +/-0.5% p.a. for two years out of three
	Japan Equity Index – GBP Hedged	FTSE Japan Index - GBP Hedged	To track its benchmark to within +/-0.5% p.a. for two years out of three
	Asia Pacific (ex. Japan) Equity Index	FTSE World Asia Pacific ex. Japan Index	To track its benchmark to within +/-0.75% p.a. for two years out of three
	Global Emerging Markets Equity Index	S&P/IFCI Composite Global Emerging Markets Index	To track its benchmark to within +/-1.5% p.a. for two years out of three
Baillie Gifford	Multi-Asset Growth Fund	Bank of England Base Rate	Benchmark +3.5% p.a. (net of fees) over rolling 5 years with less than 10% annualised volatility
Threadneedle	Dynamic Real Return Fund	UK Consumer Price Index (CPI)	Benchmark +4% p.a. (before fees) over 3 to 5 years
M&G	Illiquid Credit Opportunities Fund VII	LIBOR	Return of benchmark + 5% p.a. net of fees over the life of the Fund

CBRE	CB Richard Ellis Europe (ex. UK) Alpha Fund	n/a	To deliver returns of 8% p.a. net of fees over the life of the Fund
Insight	Enhanced Selection Funds	Customised Gilt Comparator reflecting typical scheme characteristics	Outperform a static allocation to either gilts or swaps over the long-term
	Liquidity Plus Fund	3-month LIBID	Aims to provide investors with income together with stability of capital

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

The AVC arrangement is reviewed from time to time.

2. DC Section

Investment objectives

The Trustee Directors' objective is to make available to members of the DC Section of the Plan (and to AVC members from the DB Section) an appropriate range of investment options designed to generate income and capital growth which, together with new contributions, will provide a fund at retirement which can be used to provide retirement income.

Although the Trustee Directors have ultimate responsibility for decisions regarding the investment policy, in accordance with the Pensions Act 1995 as amended, they have delegated the day-to-day management of the assets to the associated underlying investment managers. The investment managers provide the skill and expertise necessary to manage the investments of the Plan competently and are responsible for investing in diversified portfolios of assets.

The Trustee Directors' policy is that the extent to which social, environmental and ethical factors may have a financial impact on the portfolio will be taken into account by the investment manager in the exercise of its delegated duties. Further details in relation to this are set out in the main body of this Statement of Investment Principles.

Kind of investment to be held

The investment funds for the DC Section are held in an insurance policy issued by Aviva. The DC Section is structured as a bundled arrangement which is administered by Aviva. The Trustee Directors, through the insurance policy, make available a range of pooled funds in which members of the DC Section of the Plan (and AVC members of the DB Section) are able to invest.

These funds cover a broad range of assets (e.g. equities, fixed interest bonds, index-linked bonds and cash) which the Trustee Directors believe will enable members to invest in a manner which reflects their attitude to risk and proximity to retirement.

Balance between different kinds of investment and the expected return on investments

The Trustee Directors' main investment objectives are:

- to provide a default investment option that is likely to be suitable for a typical member of the DC Section;
- 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 investment needs and objectives; and
- to seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.

The Trustee Directors are responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

The Trustee Directors have made available a range of funds to suit the individual needs of the DC Section's members. For example, a range of funds with greater equity bias is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Funds that hold greater degrees of investment in bonds or cash are offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustee Directors have made available a range of lifestyle arrangements, 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 lower risk assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

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

Default option

The Trustee Directors acknowledge 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 single investment option that will be suitable for each individual member.

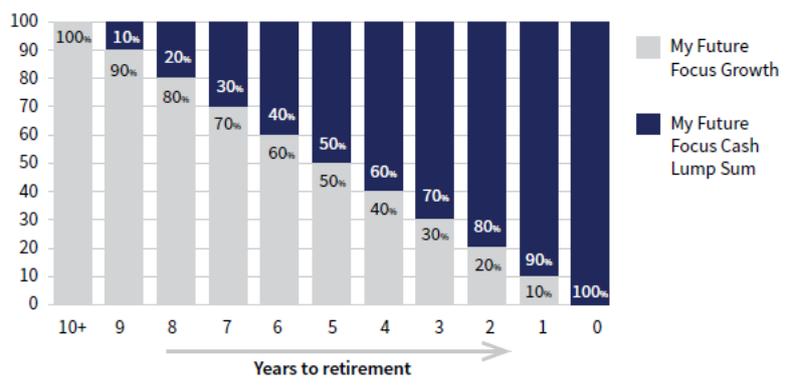
However, having analysed the membership profile of the DC Section, the Trustee Directors decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested.

The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

The default option is called the My Future Focus Targeting Cash Lump Sum profile and is a governed solution which is designed and implemented by Aviva. It invests in two multi-asset funds depending upon how far each member is away from their Selected Retirement Age (SRA).

When a member is more than 10 years from SRA, the profile will invest wholly in the My Future Focus Growth Fund and from 10 years before each member's SRA, the profile looks to reduce the level of investment risk by automatically and gradually switching out of the My Future Focus Growth Fund into the My Future Focus Cash Lump Sum Fund.

This process is illustrated in the graph below:



The objective of the My Future Focus Targeting Cash Lump Sum profile is to provide a balance between the members' requirements for strong growth in excess of inflation and their aversion to suffering significant volatility in the value of their savings. This will be achieved through investment in a range of asset classes, including growth assets (both developed market and emerging market equities, and high yield and emerging market debt), 'defensive' assets (government and corporate bonds) and 'uncorrelated' assets (property).

In the 'consolidation' phase, the focus is on providing a balance between the members' needs to grow the value of their savings ahead of inflation and protect against the risk of suffering loss, noting the expectation that benefits will be taken as a cash sum on retirement. This will be achieved through the gradual transition from the 'growth phase' into a Money Market Fund.

The Trustee Directors, in conjunction with the Investment Consultant, will review the characteristics and net performance of the default investment profile on a regular basis to ensure alignment with the best interests of members and beneficiaries.

The Trustee Directors will undertake a formal review of the default option at least every three years, or earlier if there is a significant change to the DC Section governing regulations or the profile of the Plan's membership.

Alternative investment options

Acknowledging the challenge of identifying the best solution for different groups of members, the Trustee Directors focus on the default option. Alongside the default investment option, the Trustee Directors make available three further lifestyle investment profiles which have been designed to allow members to target a specific retirement income option.

Like the My Future Focus Targeting Cash Lump Sum profile, these form part of Aviva's range of governed investment solutions so have been designed and implemented by Aviva:

- My Future Focus Target Drawdown profile: designed for those members that intend to drawdown income in retirement;
- My Future Focus Target Annuity profile: designed for those members that intend to provide retirement income through annuity purchase.

Each of these profiles holds the same underlying investment fund as the default option in the early years of membership. However, in the final 10 years to SRA they are tailored to reflect the target retirement income option.

Members can also self-select individual funds to invest in. These consist of the constituent funds of the lifestyle programmes (referred to above) as well as seven further funds, details of which are set out in the section below.

Choosing investments

The Trustee Directors have appointed Aviva to carry out the day-to-day investment of the DC Section. As the default option and range of lifestyle profiles are designed and implemented by Aviva, Aviva is responsible for selecting the underlying fund managers. The Trustee Directors select the fund managers for all other funds offered through the DC Section.

The investment managers to the DC Section are currently Aviva Investors and BlackRock, both of which are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and investment management style for each fund are given below:

Investment manager	Fund	Benchmark	Management style
Aviva Investors	My Future Focus Annuity	FTSE UK Level Annuity Single Life Standard Retirement	Active/Passive with a long term strategic overlay
	My Future Focus Cash Lump Sum	Bank of England Base Rate	
	My Future Focus Consolidation	Bank of England Base Rate +2%	
	My Future Focus Drawdown	Bank of England Base Rate +3%	
	My Future Focus Growth	Bank of England Base Rate +4%	
BlackRock	(40:60) Global Equity Index Tracker	40% FTSE All Share (ASX): 60% FTSE Developed ex UK Index (AWDXUK)	Passive
	World (ex-UK) Equity Index Tracker	FTSE Developed ex UK Index	Passive

UK Equity Index Tracker	FTSE All-Share Index	Passive
Over 15 Year Corporate Bond Index Tracker	iBoxx £ Non-Gilts Over 15 Years Index	Passive
Over 15 Year Gilt Index Tracker	FTSE UK Gilts Over 15 Years Index	Passive
Over 5 Year Index-Linked Gilt Index Tracker	FTSE UK Index Linked Gilts Over 5 Years Index	Passive
Sterling Liquidity	7 Day GBP LIBID	Active

The performance of the investment managers will be monitored on a quarterly basis or more frequently as the Trustee Directors consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Fee agreements

The annual fee arrangements with Aviva, the pension provider and the investment managers are summarised below:

Fund	Total expense ratio
My Future Focus Annuity	0.59%
My Future Focus Cash Lump Sum	0.59%
My Future Focus Consolidation	0.59%
My Future Focus Drawdown	0.59%
My Future Focus Growth	0.59%
(40:60) Global Equity Index Tracker	0.49%
World (ex-UK) Equity Index Tracker	0.49%

Fund	Total expense ratio
UK Equity Index Tracker	0.49%
Over 15 Year Corporate Bond Index Tracker	0.49%
Over 15 Year Gilt Index Tracker	0.49%
Over 5 Year Index-Linked Gilt Index Tracker	0.49%
Sterling Liquidity	0.49%

The Trustee Directors review these charges periodically as part of the Value for Member assessment.

Risk

Risk in the DC Section lies with the members themselves. The Trustee Directors have considered a number of risks when designing and providing suitable investment choices to members. The main investment risks affecting all members of the DC Section are:

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 Directors make available investment options that are expected to provide a long-term real rate of return.
Conversion risk	<p>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.</p> <p>In the lifestyle profiles made available through the DC Section, the investment managers change the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee Directors expect members to access their retirement savings.</p> <p>The Trustee Directors keep the appropriateness of the profiles under regular review.</p>
Retirement income risk	<p>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 Directors periodically review the appropriateness of the investment options offered to ensure member outcomes can be maximised.</p> <p>Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.</p>
Investment manager risk	The Trustee Directors monitor the performance of the DC Section's investment managers on a regular basis in addition to having meetings with them from time to time as necessary.
Concentration/Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment manager and custodian will be assessed by the Trustee Directors. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

The funds offered through the Plan have been chosen, in part, to help members mitigate these risks through appropriate fund selection. The Trustee Directors will keep the funds and the investment managers under review so as to assist members to mitigate the risks.

In preparing this document, the Trustee has had regard to the Investment Governance Group (IGG) Principles for Defined Contribution (DC) pension schemes and the Pensions Regulator's DC Code of Practice, and have put in place a governance process for the DC Section of the Plan which recognises the importance of these principles and guidance in helping to produce better outcomes for members.

The Trustee Directors also take account of legislative responsibilities in respect of the default investment fund as set out in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 within the investment governance process.

Realisation of investments

The investment funds of the DC Section are offered through an insurance policy. As such, member's accounts are readily realisable.

3. Stewardship policy

Aligning the investment strategy and decisions of the investment manager with the Trustee Directors' investment policies

When choosing an investment manager, the Trustee Directors select the manager that most closely aligns with their own investment strategy and policies, including their policy on ESG and climate risk.

The Trustee Directors recognise that when investing in pooled funds there is limited scope to influence the investment managers' strategy and decisions but have resolved to:

- Monitor the performance of the Funds relative to the stated investment objectives and philosophy, on which basis the manager has been appointed, to ensure the investment strategy and decisions continue to be in line with the Trustee Directors' expectations.
- In the event that the investment manager ceases to invest in line with the Trustee Directors' policies and expectations, including the management of ESG and climate related risks, their appointment will be reviewed.

Incentivising investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

In making investment decisions, the Trustee Directors expect the Plan's active investment managers to assess the long-term financial and non-financial prospects of any investment. The Trustee Directors believe that non-financial factors – such as ESG risk, climate risk and the engagement of investment managers with the companies in which they invest – may have a long-term impact on returns and therefore investment managers should take these into consideration when making decisions.

In order to encourage this, the Trustee Directors have notified the manager of the following:

- The Trustee Directors believe 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 and will therefore focus on the performance of the investment managers over this timeframe. In particular, in the case of assets that are actively managed, the Trustee Directors expect this to be sufficient to ensure an appropriate alignment of interests.
- The Trustee Directors do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

- The Trustee Directors expect investment managers to be voting and engaging on behalf of the Plan's holdings and the Trustee Directors monitor this activity within the Implementation Statement in the Plan's Annual Report and Accounts.

How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for investment management services are in line with the Trustee Directors' policies

Evaluation of investment managers' performance

From time to time the Trustee Directors review the investment managers' performance on a net of fees basis. This is considered over 3-5 year periods, which is consistent with the Trustee Directors' wider investment policies. This review reflects not only fund returns, but also whether the investment managers continue to invest in line with the Trustee Directors' expectations in terms of their investment approach, philosophy and process. This includes the investment managers' approaches to ESG and climate risk.

Remuneration of investment managers

The Plan invests exclusively in pooled funds. In all cases, the investment managers' remuneration is linked to the value of the assets they manage on behalf of the Plan. Therefore, as the assets grow in value, due to successful investment by the investment manager, the manager receives more in fees and as values fall they receive less. The Trustee Directors believe that this fee structure incentivises the manager to invest in a way that benefits the Plan; in particular, it enables the investment manager to focus on long-term performance.

The Trustee Directors ask the Plan's Investment Consultant to assess whether the investment management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered from time to time.

How the Trustee Directors monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee Directors acknowledge that portfolio turnover costs can impact on the performance of their investments. However, equally the Trustee Directors believe that active managers can add value through turnover of investments.

When underperformance is identified, the level of turnover may be investigated with the investment manager concerned if it is felt this may have been a significant contributor to the underperformance. In these cases, the Trustee Directors define the target turnover with respect to the market conditions and peer group practices.

The duration of the arrangement with the investment manager

The majority of the Plan's investment are in open-ended pooled funds and as such there are no pre-agreed timeframes for these investments. However, the Trustee Directors' approach to investing means that investments are expected to be held over a period of 3 years or more. The Plan invests in a closed-ended fund, the Illiquid Credit Opportunities Fund VII managed by M&G, which is expected to have a life of up to 15 years, though there is scope for this to be extended by two more years subject to investor approval.

The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee Directors' investment aims, beliefs and constraints is assessed periodically as appropriate. As part of this review, the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.