



Statement of Investment Principles

**For the Trustee of the RSPCA Pension Scheme
(Defined Contribution Section)**

December 2021

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1. Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the RSPCA Pension Scheme – DC Section ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement benefits and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules sets out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restrict the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustee will review this Statement and its investment policy at least every three years or immediately following any significant change in investment policy.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

Investment Manager – An organisation appointed by the Trustee to manage investments on behalf of the Scheme;

Investment Platform Provider - A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers;

Principal Employer - The Royal Society for the Prevention of Cruelty to Animals (RSPCA);

Scheme - The RSPCA Pension Scheme;

Statement - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

Trustee – RSPCA Pension Scheme Limited, the corporate entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme.

2. Division of responsibilities

The Trustee is accountable for all aspects of the Scheme's investments, however, as permitted within the Trust Deed and Rules, the Trustee has delegated some of the decision making powers and other responsibilities as set below.

Trustee

The Trustee has retained the following responsibilities and powers for itself:

- > The content and the reviewing of this Statement;
- > Reviewing the investment policy;
- > Appointing the Investment Platform Provider and assessing its suitability in this role as appropriate;
- > Selecting a suitable range of investment options to be made available to members;
- > Consulting with the Principal Employer when reviewing investment policy issues;
- > Monitoring compliance of the investment arrangements with this Statement as appropriate;
- > Assessing the performance and investment process of the Investment Managers.

In addition, the Trustee of the Scheme will make decisions relating to the Scheme's investments, including issues such as:

- > The kinds of investments to be held;
- > The balance between different kinds of investments;
- > The type of risk these may expose members to and the types of risk these may afford members protection against;
- > The performance target of the Investment Managers.

Investment Consultant

The Investment Consultant's responsibilities include:

- > Participating with the Trustee in regular reviews of this Statement and in the review of investment related issues as described in this Statement;
- > Undertaking project work as required, including reviews of the range of assets covered by the investment options available to members and reviews or selection of Investment Managers and/or the Investment Platform Provider.

Investment Platform Provider

The Investment Platform Provider's responsibilities include:

- > Providing a range of investment funds from which the Trustee is able to select a subset of funds to make available to members, consistent with the policy as set out in this Statement;
- > Enabling the Trustee to select from the range of Investment Managers through the creation of funds which themselves invest in or are reinsured into underlying vehicles or portfolios managed by the Investment Managers;
- > Blending or white labelling funds as appropriate or as requested by the Trustee;
- > Appointing a custodian. For pooled assets, the custodian is invariably appointed by the Investment Managers on behalf of the pooled fund as a whole. However, a separate custodian may be appointed to provide the above services on behalf of the Investment Platform Provider;
- > Providing the Trustee with the reporting that would otherwise be expected of the Investment Managers:
 - Regular portfolio valuations and performance information along with a report when relevant on actions and future intentions and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustee to review its Investment Managers' activities;
 - Where appropriate, reporting in person at a Trustee's meeting at least annually or through documentation agreed between the two parties.

Investment Managers

Each Investment Manager's responsibilities will include:

- > Investing in diversified portfolios of assets suitable for pension schemes in accordance with any guidelines given by the Trustee or the Investment Platform Provider;
- > At their discretion, but in accordance with the mandate they have been given by the Trustee, implementing changes in the asset mix and selecting individual securities and financial instruments within each asset class;
- > Exercising, where appropriate, the rights attached to the underlying shareholdings so as to protect and enhance the long-term value of a stock holding for the Scheme.

Custodian

Each custodian's responsibilities include some or all of the following:

- > The safekeeping of all of the assets of the Scheme;
- > Providing the Investment Managers and/or the Investment Platform Provider with statements as required of the assets, cashflows and schedules of transactions;
- > Undertaking all appropriate administration relating to the Scheme's assets;
- > Processing all dividends and tax reclaims in a timely manner;
- > Dealing with corporate actions.

Record keeping of the Scheme's entitlement within the pooled fund is the responsibility of the pooled fund administrator or registrar.

Member records are held by the Scheme administrator.

3. Strategic investment policy and objectives

Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Scheme's assets. In view of the requirements in respect of the efficient administration of individual entitlements for each member, all the investments are made on a pooled basis with the individual funds accessed through an investment platform. The Trustee retains control over the individual funds to offer to members.

The Trustee's policy is to review the investments over which it retains control and to obtain written advice about them when necessary. 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 the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The Trustee's long-term objectives are to provide members with investment options that will enable them to optimise the real return on investments in order to build a fund which will be used at retirement to access their benefits as a lump sum, series of lump sums and/or purchase a secure income (annuity). The Trustee has therefore selected the investment options:

- > In the best interests of members;
- > In a manner calculated to ensure their security, quality, liquidity and profitability.

The Trustee recognises that the available investment options directly impact the Scheme's members and their expectation for their retirement provision.

The Trustee has set three investment objectives as detailed below:

- > *Fiduciary*: To ensure members are offered an appropriate range of investment vehicles and guidance on the suitability of these vehicles;
- > *Funding*: To give members investment options that enable them to maximise the returns achieved at acceptable levels of risk;

- > *Stability*: To provide members with investment vehicles which offer protection against volatility in the capital value of their fund.

Expected returns

By undertaking the investment policy described in this Statement, the Trustee anticipates that the investment options and the associated future absolute investment returns will allow members to maintain the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

The Trustee expects the long-term return on investment options that invest predominantly in equities to exceed price inflation. The long term returns on bond and cash options are expected to be lower than returns on predominantly equity options. Cash funds provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.

Investment Policy

In order to meet the above objectives, the Trustee has made available a range of investment funds with different risk-reward characteristics.

The range of funds is summarised in the Appendix. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix II.

Range of assets

The Trustee will provide members with investment vehicles encompassing both real and monetary assets.

The amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustee will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustee will ensure the range of assets is otherwise suitable to meet the investment objectives as set out above.

Based on the structure set out in Appendix I, the Trustee considers the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with the Investment Platform Provider and each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters or guidelines set by the Trustee or governing the pooled funds in which the Scheme is invested.

The Trustee will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria.

The Trustee expects Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustee expects the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

4. Responsible investment

The Trustee has considered its approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and believes there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s Investment Managers. The Trustee expects the Scheme’s Investment Managers to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Consultant on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee’s expectations as set out in this Statement.

As the Scheme invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Managers.

The Trustee expects Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee expects the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the

results of such engagement are mis-aligned with the Trustee’s expectation, then the Trustee may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although it has neither sought nor taken into account the beneficiaries’ views on risks including (but not limited to) ethical, social and environmental issues. The Trustee will review this policy if any beneficiary views are raised in future.

5. Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee measures and manages these risks as follows:

Strategic risk - the risk of not maintaining the real purchasing power of assets is addressed through the availability of growth orientated funds.

Market risk – the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity orientated funds.

Manager risk - the risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives that are outlined in Appendix II and through the monitoring of the managers as set out below and in Section 7. Passively managed funds are offered where appropriate to enable members to reduce manager underperformance risk. In monitoring the performance of the Investment Managers the Trustee measures the performance of the vehicles in which it is invested, the returns relative to benchmark and objective and the volatility of returns. In addition, as and when required, the Trustee will each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- > for equities, the Trustee will review the risk through weightings to individual regions, sectors and stocks;
- > for property, risk will be reviewed through the weightings to specific sectors, level of gearing, void rates and the tenancy exposure;
- > for multi asset funds, the Trustee will consider the weightings within the fund to different asset classes. It will also consider the volatility of the fund both in absolute terms and in comparison to the volatility of traditional equity markets;
- > for bonds, the Trustee will review the risks of the underlying assets comprising the portfolio, and;
- > for cash the Trustee will review the risk through the type of cash instruments held and the term of these instruments.

Inappropriate investments - the risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Scheme can invest (see section 3).

Counterparty risk – this risk is addressed through the Investment Managers' guidelines with respect to cash management.

Fraud/Dishonesty – this is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Custodian risk - this is addressed through the agreement with the third party custodian and the monitoring of the custodial arrangements as and when required. In pooled arrangements this is invariably delegated to the Investment Manager and/or the Investment Platform Provider.

Administration risk - the risk of administrative errors leading to inaccurate member records is addressed through controls built into the cash collection/allocation procedure and through monthly reconciliations of the administration records with those held by the Investment Manager. In accordance with XPS's ISO 9001:2015 accredited Business Process Management System, every event is recorded and documentary evidence retained as part of an audit trail.

Political risk – the risk of an adverse influence on investment values from political intervention is reduced by providing members with the facility to diversify the assets across many countries.

Currency risk – The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

6. Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will consider closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which it is currently invested. As such, the Trustee believes that the Scheme currently holds an acceptable level of readily realisable assets. The Trustee will also take into account how easily investments can be realised for any new investment options it considers investing in, to ensure that this position is maintained in the future.

The Trustee will hold cash to the extent it considers necessary to meet impending anticipated outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment Restrictions

The Trustee has established the following investment restrictions:

- > The Trustee may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;
- > Whilst the Trustee recognises that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > The Trustee will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise the security of the members' entitlements;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style.

7. Investment Manager arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustee, in the selection of the investment funds to make available to members, delegated to one or more Investment Managers the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the members invest may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each pooled fund is assessed are provided in Appendix II.

Review process

The Trustee will review the appointment of the Platform Provider in accordance with its responsibilities.

In respect of the Platform Provider, such reviews will include an analysis of the Platform Provider's processes, the range and suitability of the funds available on the Platform and the fee arrangements in place.

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with its responsibilities. Such reviews will include analysis of each Investment Manager's performance and process and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policy.

The Trustee will receive regular performance monitoring reports from the Investment Consultant which consider

performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustee's selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. The Investment Platform Provider will also attend Trustee meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored as appropriate with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

(De) Selection criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- > Parent – Ownership of the business;
- > People – Leadership/ team managing the strategy and client service;
- > Product – Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance – past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives (available upon request);
- > The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future;
- > The Investment Manager fails to comply with this Statement.

Investment Platform Provider Fee Structure

The Investment Platform Provider is remunerated by receiving a proportion of the Scheme's assets under management.

Investment Managers' Fee Structure

The Investment Managers are remunerated out of the fees charged by the Platform Provider. It is felt that this method of remuneration is appropriate as it enables the Trustee to gain access to a range of funds which would otherwise prove to be inaccessible on cost and minimum investment criteria.

Investment Consultant's Fee Structure

The Investment Consultant is remunerated by a combination of fixed fees and work completed on a project-fee or time-cost arrangement. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee undertaking their responsibilities as described in Section 2.

Portfolio turnover

The Trustee expects the Investment Managers to report on actual portfolio turnover, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

8. Compliance statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the Trustee of a pension scheme, it must have consulted with the Principal Employer and obtained and considered the written advice of a person who is reasonably believed by the Trustee to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by the Act.

On behalf of XPS Investment Limited:

Adam Gillespie FIA

Partner – Investment

Date: 15 December 2021

Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy it has decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustee:

Wayne Phelan

Date: 15 December 2021

Appendix I - The structure and type of funds available

Overall strategy

The Trustee has appointed Scottish Widows Limited as the Investment Platform Provider.

The Trustee has decided to offer a range of appropriate funds to members to enable them to choose investments appropriate to their individual circumstances whilst not offering too many funds which may deter some members from making a choice. In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the default strategies to be used where members do not make their own investment choice.

The range of investment options is as follows:

- > Self-select options, as shown; Passive Equity, Active Equity, Ethical Equity, Shariah Equity, Diversified Growth, Property, Fixed Income Pension Preparation, Inflation-Linked Pension Preparation and Cash.
- > 3 lifestyle approaches; Pension, Drawdown and Cash, which phase quarterly on a predetermined matrix as outlined in the tables below:

Pension Lifestyle

Months to Normal Retirement Age	Passive Equity Fund	Diversified Growth Fund	Cash Fund	Fixed Income Pension Preparation Fund
60+	30.0%	70.0%	0.0%	0.0%
57	28.5%	66.5%	1.3%	3.8%
54	27.0%	63.0%	2.5%	7.5%
51	25.5%	59.5%	3.8%	11.3%
48	24.0%	56.0%	5.0%	15.0%
45	22.5%	52.5%	6.3%	18.8%
42	21.0%	49.0%	7.5%	22.5%
39	19.5%	45.5%	8.8%	26.3%
36	18.0%	42.0%	10.0%	30.0%
33	16.5%	38.5%	11.3%	33.8%
30	15.0%	35.0%	12.5%	37.5%
27	13.5%	31.5%	13.8%	41.3%
24	12.0%	28.0%	15.0%	45.0%
21	10.5%	24.5%	16.3%	48.8%
18	9.0%	21.0%	17.5%	52.5%
15	7.5%	17.5%	18.8%	56.3%
12	6.0%	14.0%	20.0%	60.0%
9	4.5%	10.5%	21.3%	63.8%
6	3.0%	7.0%	22.5%	67.5%
3	1.5%	3.5%	23.8%	71.3%
0	0.0%	0.0%	25.0%	75.0%

Drawdown Lifestyle

Months to Normal Retirement Age	Passive Global Equity Fund	DGF Blend Fund	Cash Fund
60+	30.0%	70.0%	0.0%
57	28.5%	70.3%	1.3%
54	27.0%	70.5%	2.5%
51	25.5%	70.8%	3.8%
48	24.0%	71.0%	5.0%
45	22.5%	71.3%	6.3%
42	21.0%	71.5%	7.5%
39	19.5%	71.8%	8.8%
36	18.0%	72.0%	10.0%
33	16.5%	72.2%	11.3%
30	15.0%	72.5%	12.5%
27	13.5%	72.7%	13.8%
24	12.0%	73.0%	15.0%
21	10.5%	73.2%	16.3%
18	9.0%	73.5%	17.5%
15	7.5%	73.7%	18.8%
12	6.0%	74.0%	20.0%
9	4.5%	74.2%	21.3%
6	3.0%	74.5%	22.5%
3	1.5%	74.7%	23.8%
0	0.0%	75.0%	25.0%

Cash Lifestyle

Months to Normal Retirement Age	Passive Equity Fund	Diversified Growth Fund	Cash Fund
60+	30.0%	70.0%	0.0%
57	28.5%	66.5%	5.0%
54	27.0%	63.0%	10.0%
51	25.5%	59.5%	15.0%
48	24.0%	56.0%	20.0%
45	22.5%	52.5%	25.0%
42	21.0%	49.0%	30.0%
39	19.5%	45.5%	35.0%
36	18.0%	42.0%	40.0%
33	16.5%	38.5%	45.0%
30	15.0%	35.0%	50.0%
27	13.5%	31.5%	55.0%
24	12.0%	28.0%	60.0%
21	10.5%	24.5%	65.0%
18	9.0%	21.0%	70.0%
15	7.5%	17.5%	75.0%
12	6.0%	14.0%	80.0%
9	4.5%	10.5%	85.0%
6	3.0%	7.0%	90.0%
3	1.5%	3.5%	95.0%
0	0.0%	0.0%	100.0%

Default Arrangements:

The Scheme has two default arrangements:

The Pension Lifestyle Strategy

The aim of the pension lifestyle strategy is to maximise the value of members' retirement savings while managing the risks including volatility over the member's investment timeline, with a particular focus on the period leading up to retirement age. The Trustee, with its Investment Consultant, assessed the suitability of the default lifestyle investment arrangement considering the regulations governing how members can access their benefits at retirement. This assessment considered the Scheme's membership profile and members' expected fund values at retirement.

Temporary Holding Strategy

The Property Fund was temporarily suspended in March 2020, as a result of the COVID-19 pandemic. Rather than leave future contributions that were due to be invested in the Property Fund un-invested, the Trustee decided to create a new default arrangement to hold contributions that were due to be invested in the Property Fund. This default arrangement can be classified as a Temporary Holding Strategy and the investment strategy was to allocate 100% to the BlackRock Institutional Liquidity Fund (the "Cash Fund"), until the suspension on the Property Fund was lifted. As a result of such action, the Temporary Holding Strategy is classified as a default arrangement for regulatory reporting and monitoring purposes.

The aim and objective of holding monies in the Cash Fund was to protect the value of members' contributions until such time as members make an active decision to move monies elsewhere; or until such time as the Property Fund was reopened. This objective was different to using the Cash Fund in the Default Pension Lifestyle Strategy. In the Pension Lifestyle Strategy, the objective of using the Cash Fund is to provide diversification of risk; reduce the overall volatility of the members' fund value; and to provide a level of stability of the final amount of tax free lump sum that the member is able to take.

The Property Fund reopened on 17 September 2020, and contributions from members that had temporarily been placed in the Cash Fund (the "Temporary Holding Strategy") were re-directed from the Cash Fund back into the Property Fund from December 2020. Future contributions were also re-directed to the Property Fund. As contributions were directed back to the original fund without obtaining a new expression of choice from the member, the Temporary Holding Strategy falls within the definition of a default arrangement.

The two default strategies are operated in accordance with the policies described in this Statement and are intended to ensure investment in the best interests of members and beneficiaries as further described in this Statement.

Appendix II

Fund benchmarks & objectives

Scottish Widows

Fixed Income Pension Preparation Fund

Benchmark 90% Markit iBoxx GBP Non Gilts Over 15 Years Index

10% FTSE Actuaries UK Conventional Gilts Over 15 Years Index

Objective To achieve a return in line with the benchmark.

Inflation Linked Pension Preparation Fund

Benchmark FTSE Actuaries UK Index Linked Gilts over 5 Years Index

Objective To achieve a return in line with the benchmark.

Cash Fund

Benchmark SONIA (Sterling Overnight Index Average)

Objective To achieve a return that is in line with wholesale money market short-term interest rates.

Active Equity Fund

Benchmark 50% MSCI AC World Index

30% FTSE All-Share Index

5.6% FTSE Developed Europe ex-UK Index

5.6% FTSE North America Index

5.6% MSCI Pacific Index

3.2% MSCI Emerging Markets Index

Objective To achieve capital growth from a diversified portfolio of UK and overseas equities.

Ethical Equity Fund

Benchmark MSCI World Index

Objective To outperform the benchmark by 2% p.a.

Shariah Equity Fund

Benchmark Dow Jones Islamic Markets Titans 100 Index

Objective To achieve a return in line with the benchmark.

Passive Equity Fund

Benchmark 50% FTSE All-Share Index

16.65% FTSE Developed Europe ex-UK Index

16.65% FTSE USA Index

8.35% Scottish Widows Aquila Japan Custom Benchmark Index

8.35% Scottish Widows Aquila Pacific Rim Custom Benchmark Index

Objective To achieve a return in line with the benchmark.

Diversified Growth Fund

Benchmark 33.34% BoE Base Rate + 3.5%

33.33% SONIA (Sterling Overnight Index Average) + 5.0%

33.33% UK Consumer Price Index+4.0%

Objective To generate long term returns but with a lower level of volatility than is associated with a pure equity investments.

Property Fund

Benchmark MSCI/ AREF UK All Balanced Quarterly Property Fund Index

Objective To outperform the benchmark by 1.0% p.a. (net of fees) over rolling 3 years.



Contact us

xpsgroup.com

Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).