Wyeth Group Pension and Life Assurance Scheme (1997)

Statement of Investment Principles – June 2024

1. Introduction

The Trustee of the Wyeth Group Pension and Life Assurance Scheme (1997) (the "Scheme") has drawn up this Statement of Investment Principles (the "Statement") in compliance with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation. As required under the Act the Trustee has consulted a suitably qualified person and has obtained written advice from Mercer Limited. 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 Trustee in preparing this Statement has also consulted the participating employer.

The Scheme is divided into two main parts: (i) the Defined Contribution ("DC") Section and (ii) the Defined Benefit ("DB") Section which refers to the assets related to pensioners and deferred pensioners as at 1st April 1997, and the entitlement of active members to the extent that the Best Benefit Guarantee ("BBG") would provide a benefit with a greater value than their accumulated DC funds. Section 2 of this Statement deals specifically with the DC Section and Section 3 deals specifically with the DB Section whilst Sections 4, 5 and 6 cover both DB and DC.

2. The Defined Contribution Section

Overall investment policy falls into two parts. The provision of suitable investment options to members is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer Limited and is driven by its investment objectives as set out in Section 2.1 below. The remaining elements of policy are part of the day–to-day management of the assets which is delegated to professional investment managers and described in Section 2.5. Decisions on appointment and retention of investment managers are taken by the Trustee on advice from its investment consultant.

2.1 Objectives

The key objectives of the Trustee in relation to the DC Section are as follows:

- To establish a default strategy which will offer a high-quality solution appropriate for the majority of members saving into the DC Section;
- Alongside the default strategy, provide a range of self-select funds to meet the diversity of member needs throughout their working lives;
- To provide both the default strategy and the range of self-select funds at a competitive price thus allowing members to benefit from retaining a higher share of the investment growth on their savings;
- To implement and deliver an attractive and compelling communication and engagement strategy that reflect the needs of members, specifically taking into

account the nature of the Scheme and the investment arrangements that are provided;

- To explore, with the key stakeholders, the ability to make accessible to members the flexibilities in relation to DC savings that are now available;

- To put in place the necessary governance framework that will allow the ongoing suitability of the DC Section, including the suitability of the investment arrangements, to be monitored over time.

2.2 **Strategy**

The Trustee makes available a range of funds and lifestyle strategy options for the DC Section of the Scheme which it believes provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest.

Members who do not indicate a preference are invested in the default option which includes lifestyling towards taking their benefits at retirement via income drawdown. In addition, the DC Section of the Scheme has a legacy default option which was designed for a typical member who intends to access their benefits via annuity purchase at retirement. Members' assets are de-risked as they approach retirement. More information on the default strategy is included in Appendix A – Statement of Investment Principles – Default Options.

In addition, the alternative lifestyle strategy is available to members that reflect the alternative ways in which members might take their benefits at retirement (Cash) and also for members wishing to invest in euro denominated investments.

All funds are daily-dealt pooled investment arrangements with assets mainly invested on regulated markets. It is the Trustee's policy to offer both active and passive management options to members, depending on asset class.

A range of asset classes has been made available, including: developed market equities, emerging market equities, equities with an ESG focus, real estate, money market investments, gilts, index-linked gilts, diversified growth funds and pre-retirement funds.

Members can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across a reasonable number of underlying holdings / issuers.

2.3 **Policies in relation to illiquid assets**

The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Scheme's default arrangement includes no direct allocation to illiquid investments or to investments via a collective investment scheme. The other funds used in the default do not invest in any underlying illiquid assets.

The Trustee understands the potential for higher returns and benefits of diversification benefits relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these potential benefits are recognised by the Trustee, it is also aware of the risks of illiquid assets to members. Given the potential for valuations of illiquid assets to not reflect their true value at a given time, as well as concerns over liquidity management and platform compatibility; the Trustee considers direct investment into an illiquid asset fund as not currently suitable for members of the Scheme. The Trustee remains comfortable with the funds used in the default option, and annually assess whether the funds used provide value for members.

In selecting investments for the default option the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustee carefully considers whether the investment provides value for members, taking account of the return potential and associated risks. It is the Trustee's policy to review the allocation of the default option on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

2.4 Risk

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 managed	How it is measured
Inflation Risk	The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds). Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.

Risk	How it is managed	How it is measured
Pension Conversion Risk	The Trustee makes available three lifestyling strategies for DC members, each targeting either cash, drawdown or annuity. Lifestyle strategies automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. These lifestyling strategies increase the proportion of assets that more closely match the chosen retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.	Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).
Market Risk (including idiosyncratic market risk events e.g. pandemic events)	The Trustee provides members with a range of funds, across various asset classes and geographies. Members are able to set their own investment strategy in line with their risk tolerances. Extreme market events may not impact all asset classes in the same way and members are able to allocate their funds across a range of asset classes to diversify market risk. For the multi-asset funds which are targeting non-market benchmarks this is delegated to investment managers.	Monitors the performance of external investment funds on a quarterly basis.
Counterparty Risk	Delegated to external investment manager. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of external investment funds on a quarterly basis.

Risk	How it is managed	How it is measured
Currency Risk	The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies. Delegated to investment managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.
Operational Risk	Review of Aegon's operational processes at the time of their appointment. The Trustee plans to undertake annual reviews of Aegon going forward.	Monitor developments at Aegon, taking advice from the Investment Consultant.
Liquidity Risk	The Trustee accesses daily dealt and daily priced pooled funds.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract.
Valuation Risk	Some multi-asset managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external investment manager. The majority of investment managers invest solely in liquid quoted assets.	The Trustee monitors performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the Investment Consultant.
Environmental, Social and Governance Risk	Delegated to external investment managers. The Trustee's policy on ESG risks is set out in Section 4.3 of this Statement.	The Trustee reviews its external investment managers' policies and actions in relation to this on an annual basis.
Climate Change Risk	The Trustee regularly monitors and reviews the fund managers' experience to consider climate change risks.	The Trustee is considering how to monitor and assess climate change risk through various metrics. The Trustee assesses managers' voting and engagement activity on an annual basis.

Risk	How it is managed	How it is measured
Manager Skill / Alpha Risk	The Trustee makes available a number of actively managed funds to DC members where they deem appropriate; for example, multi-asset funds. The actively managed funds made available are highly rated by their Investment Consultant, based on forward-looking expectations of meeting objectives.	The Trustee considers the ratings of investment strategies from their Investment Consultant during the selection process. The Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

The above items listed in Sections 2.2 to 2.4 of this Statement are in relation to what the Trustee considers '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 when they expect to retire.

2.5 Day to Day Management of the Assets

Pooled investment funds are made available to members of the Scheme via an investment platform provided by Aegon. The platform is accessed through a direct (long-term) insurance contract between the Trustee and Aegon. Pooled funds accessed through the platform are managed by underlying investment managers.

The safe custody of the Scheme's assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

Buying and Selling Investments

The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used are daily dealt. The investment managers have discretion in the timing of realisation of investments and in considerations relating to liquidity of those investments within parameters stipulated in the relevant appointment documentation. The day to day activities which the investment manager carries out are governed by the arrangements between them and BlackRock, HSBC or Insight which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

2.6 Implementation

For the Defined Contribution Section of the Scheme the Trustee has contracted with Aegon to deliver investment management services through their investment platform. Aegon are regulated by the Financial Conduct Authority (the "FCA").

2.7 Governance

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegates others to the DC Committee. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether the DC Committee has the appropriate training and access to expert advice in order to take an informed decision.

The "DC Committee" means a committee, composed of the Trustee of the Pfizer Group Pension Scheme, the Trustee of the Wyeth Group Pension and Life Assurance Scheme (1997) and employer representatives, set up to assist with the oversight of the DC sections of both schemes.

The Trustee has a clearly defined governance structure which includes an agreed Terms of Reference for the DC Committee and also documents governing the services provided by the investment adviser, custodians and fund managers. The duties and powers of the DC Committee are as provided for within the DC Committee Terms of Reference as amended from time to time.

3. The Defined Benefit Section

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer Limited and is driven by its investment objectives as set out in Section 3.1 below and the risk constraints as set out in 3.2 below. The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment managers and described in Section 3.4. Decisions on appointment and retention of investment managers are taken by the Trustee on advice from its investment consultant and described in Section 5.

In March 2018 the Trustee entered into insurance policy with Just Retirement Limited ("Just"), to cover a portion of the liabilities of the Defined Benefit Section in respect of members who were pensioners at the time. In April 2021, the Trustee entered into an insurance policy with Aviva to cover the majority of the remaining Defined Benefit liabilities. The Trustee now holds the insurance policies as assets of the Scheme. The Trustee remains responsible for paying the pensions to these members. In practice, Just and Aviva make monthly payments into the Trustee bank account, and the Scheme's administrator then pays these monies to the members.

3.1 Investment Objectives

The Trustee's primary objective is to invest the Scheme's assets in the best interest of the members and beneficiaries to ensure pension obligations can be met as and when they are due.

The Trustees haves invested the majority of the Scheme's assets in bulk annuity contracts with Just and Aviva. The contracts are buy-in policies. In addition to the buy-in policies, there is a small balance in a BlackRock Liquidity Fund, which will be used to meet remaining liabilities.

3.2 Risk

There are various risks to which the Scheme is exposed, albeit these have, to a large extent, been mitigated by investing in the bulk annuity policies.

- Bulk annuity providers risk – The principal risk facing the Trustee and the Scheme's members is that Just and Aviva may default on their obligations under the annuity contract to meet all future benefits (as contracted). Before entering into the contracts with Just and Aviva, the Trustee obtained and carefully considered professional advice regarding the financial strength of Just and Aviva and concluded that the risk was acceptably low.

- Liquidity risk - The Trustee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. All of the Scheme's investible assets (i.e. all assets excluding the bulk annuities) are realisable at short notice.

- Manager risk - The Scheme's remaining assets are invested with BlackRock. The Trustee is comfortable with the risk associated with only one investment manager, given the low risk nature of this investment.

- Regulatory and political risk - There is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Trustee invests in a manner which seeks to minimise the impact of any such regulatory or political change should such a change occur.

The documents governing the appointment of BlackRock include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. BlackRock is prevented from investing in asset classes outside their mandate without the Trustee's prior consent.

The safe custody of the Scheme's investible assets is delegated to professional custodians (via the use of pooled vehicles).

Should there be a material change in the Scheme's circumstances, the Trustee will review whether (and to what extent) the investment arrangements should be altered; in particular whether the current risk exposure remains appropriate.

3.3 Investment Strategy

The day-to-day management of the Scheme's investible assets (the assets of the Scheme excluding the bulk annuities) is delegated to BlackRock, who manage the assets on a discretionary basis; these guidelines are set out in Section 3.4. The overall investment strategy is as follows:

Fund Name	Benchmark	Strategic Benchmark
BlackRock Liquidity Fund	GBP SONIA	100.0%
Total		**100.0%**

The Trustee believes that the resulting asset mix is currently appropriate for meeting the objectives set out in Section 3.1 and controlling the risks identified in Section 3.2.

3.4 Day to Day Management of the Assets

The Scheme has bulk annuity contracts with Just and Aviva which accounts for the vast majority of the Scheme's assets. The annuity providers are authorised by the

Prudential Regulation Authority and regulated by the Financial Conduct Authority and is registered in the United Kingdom.

The Trustee invests the Scheme's remaining assets in a pooled liquidity fund with BlackRock. This is a low risk fund, with a primary objective to perform in line with short term cash rates which is commensurate with the Trustee's' own objective. There is no set duration for this manager appointment however, if the investment objective changes, the Trustee will review the appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period).

3.5 Fees

The following fee is charged for the fund the Scheme is invested in:

BlackRock

Fund	Charges (% per annum)
Liquidity Fund	0.125

There is a minimum fee of £3,750 per quarter in respect of the assets managed.

4. Defined Contribution & Defined Benefit – Both Sections

4.1 Additional Arrangements

Assets in respect of members' additional arrangements are held in Scottish Widows With-Profits Fund.

4.2 Monitoring the Investment Managers

The Trustee receives investment monitoring reports from the managers and from its investment consultant on a regular basis.

4.3 Responsible Investment and Corporate Governance

The Trustee believes that environmental, social and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit considerations, as reflected in the Sections 2.4 and A.3.

The Trustee recognises that financially material ESG issues, including climate change, could impact the financial interests of the Scheme’s beneficiaries.

Accordingly, the Trustee will consider how ESG matters are integrated within investment processes when appointing new fund managers and monitoring existing fund managers. One such way ESG matters have been integrated within the DC Section is through the implementation of funds with a specific focus on ESG integration within the default arrangement.

The Trustee believes that good stewardship can preserve value for companies and markets as a whole, however, it is not a central activity to value generation. The Trustee monitors stewardship activity and the ESG ratings of funds annually.

Having considered their fiduciary duty the Trustee has delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments to the appointed investment managers, in accordance with their own corporate governance policies.

The Trustee monitors how ESG, climate change and stewardship are integrated within investment processes of their investment managers. The Trustee and considers the investment consultant’s assessment of how each of the sections’ investment managers embed ESG into their investment processes, and how the managers’ responsible investment philosophies align with the Trustee’s responsible investment policy. This includes the investment managers’ policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. Monitoring is undertaken on a regular basis and is documented at least annually to assess the effectiveness of applied approaches.

The Trustee can regularly review the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best performance over the medium to long term. Voting and Engagement is reviewed at least annually.

Member views on ‘non-financial matters’ (where “non-financial” include members ethical views separate from financial considerations such as financially material ESG issues), are taken into account, when expressed, in the selection, retention and realisation of investments.

The Trustee has not set any investment restrictions on the appointed investment managers, but may consider this in the future. However, the Trustee has agreed to implement funds with a specific focus on ESG integration to the default arrangement which involves some screening of companies.

The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) and how they will measure the effectiveness of this strategy. The Trustee reviews regularly the voting strategy of its investment managers.

5.0 Investment Manager Appointment, Engagement and Monitoring

5.1 The investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.

5.2 The Trustee looks to its investment consultant for their forward looking assessment of a manager's ability to perform in line with expectations over a full market cycle. This view will be based on the investment consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management. The investment consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and DC Committee and are used in decisions around selection, retention and realisation of manager appointments.

5.3 The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

5.4 If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives and may ask the manager to review their fees instead of terminating the mandate.

5.5 Some mandates are actively managed and the managers are incentivised through remuneration and have pre agreed performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) regularly.

5.6 As the Trustee invests solely in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

5.7 For DC section assets, the Trustee reviews the investment manager fees and considers portfolio turnover costs as part of the annual Value for Money ("VfM") assessment.

5.8 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

5.9 For open-ended funds in which the Scheme invests, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; or
- the manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.

6.0 Exercise of voting rights

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the investment managers have produced written guidelines of their process and practice in this regard. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies and are required to provide periodic written reports to the Trustee regarding their exercise of voting rights on the Trustee's behalf. The Trustee's views on stewardship are further elaborated in the above section "Responsible Investment and Corporate Governance" of this document.

6.1 Compliance with this Statement

The Trustee will monitor compliance with this Statement annually. In particular, it will advise the investment managers promptly and in writing of any material change to this Statement.

6.2 Review of this Statement

The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which it judges to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Appendix A – Statement of Investment Principles - Default Options for the DC Section

A.1 For members who do not wish to take an active role in investment decisions, the Trustee offers a **default option** which includes lifestyling arrangements to de-risk investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via income drawdown at retirement. This strategy is known as the "Drawdown Lifestyle Profile". In addition, the Scheme has a legacy default option where some members' accrued funds and contributions were previously automatically directed. This strategy was designed to be appropriate for a typical member who intends to access their benefits via annuity purchase at retirement, and is known as the "Annuity Lifestyle Profile".

A.2 Aims, Objectives and Policies for the current Default Option

The aims of the default options, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk.

The default strategy's growth phase structure invests in equities and other growth-seeking assets through diversified growth funds. These investments are structured to maximise real returns over the long-term with some downside protection and some protection against inflation erosion.

- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.

- To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits via income drawdown.

For the Drawdown Lifestyle Profile, three months prior to the member's selected retirement date, 75% of the member's assets will be invested in a pooled pre-drawdown fund that aims to provide a suitable level of return for members who expect to transfer to a drawdown product at retirement, and 25% in a pooled cash fund reflecting the Trustee's view that members will take a tax free cash lump sum at retirement.

A.3 Aims, Objectives and Policies for the legacy Default Option

The aims of the legacy default option, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk.

The default strategy's growth phase structure invests in equities and other growth-seeking assets through diversified growth funds. These investments are structured to *maximise real returns over the long-term with some downside protection and some protection against inflation erosion*.

 To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over an eight-year period.

 To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as an annuity.

For the Annuity Lifestyle Profile, three months prior to the member's retirement date, 75% of the member's assets will be invested in a pooled pre-retirement fund that aims to match the development of fixed annuity prices as far as is possible, and 25% in a pooled cash fund. This lifestyle profile reflects the Trustee's view that members will take a tax free cash lump sum at retirement.

A.4 Risk

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the balance between asset classes within the default option outlined in this Appendix is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographics, if sooner.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

The Trustee has considered risks from a number of perspectives. The list is the same as shown in Section 9, unless mentioned below:

Risk	How it is managed	How it is measured
Inflation Risk	During the growth phase of the default investment option the Trustee invests in a diversified range of assets which are likely to grow in real terms. The default investment options invests in a diversified range of assets which are considered likely to grow in excess of inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The current default investment option is a lifestyling strategy which targets drawdown as a retirement destination. The Trustee believes that a strategy targeting drawdown is the most appropriate for their current membership. The legacy default investment option is a lifestyling strategy which targets annuity purchase as a retirement option. The Trustee believes that a strategy targeting annuity purchase still remains an appropriate option for their current membership.	Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation (the retirement destination). As part of the triennial default strategy review, the Trustee ensures the default destination remains appropriate.
Currency Risk	The equity allocation of the default investment option is invested in global equity funds without a currency hedge. Within the diversified growth funds the currency risk management is delegated to investment managers. 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.	Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.

The above items in Sections A.2 and A.3 and those in the main SIP are in relation to what the Trustee considers ‘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 when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

A.5 Members Interests

The Trustee believes that assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

The Drawdown and Annuity Lifestyle Profiles are designed to meet the above aims and objectives and are implemented using a range of pooled funds managed by the Trustee’s chosen investment managers.

Taking into account the demographics of the Scheme’s membership and the Trustee’s views of how the membership will behave at retirement, the Trustee believes that the current default strategy is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme’s demographic profile, if sooner.

A.6. Investment Strategy

The Trustee believes that assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members.

The Drawdown and Annuity Lifestyle Profiles are designed to meet the above aims and objectives and are implemented using a range of pooled funds managed by the Trustee’s chosen investment managers.

Taking into account the demographics of the Scheme’s membership and the Trustee’s views of how the membership will behave at retirement, the Trustee believes that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme’s demographic, if sooner.

A.7. Day to Day Management of the Assets

Pooled investment funds are made available to members of the Scheme via an investment platform provided by Aegon. The platform is accessed through a direct (long-term) insurance contract between the Trustee and Aegon. Pooled funds accessed through the platform are managed by underlying investment managers. The Trustee is responsible for the selection, appointment, removal and monitoring of these external investment managers. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Scheme’s investments and that the managers are carrying out their work competently.

The safe custody of the Scheme’s assets is delegated to professional custodians, as appointed by the governing bodies of the respective pooled funds.

Buying and Selling Investments

The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used are daily dealt. The investment managers have discretion in the timing of realisation of investments and in considerations relating to liquidity of those investments within parameters stipulated in the relevant appointment documentation. The day to day activities which the investment manager carries out for the Trustee are governed by the arrangements between them and Aegon, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

Responsible Investment & Corporate Governance

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit considerations as outlined in Section 9.1.

Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Voting is also an integral part of the investment management delegation. The investment manager is encouraged, but not directed, to vote on all resolutions at annual and extraordinary general meetings of companies for the exclusive benefit of the participants.

The Trustee monitors the ESG policies and stewardship activities of its managers annually. The Trustee supports the principle of good corporate governance and shareholder activism and, for relevant mandates, prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder, if applicable) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance) and how they will measure the effectiveness of this strategy .