London United Busways Retirement Benefits Plan

Statement of Investment Principles – September 2023

1. Introduction

The Trustee of the London United Busways Retirement Benefits Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments. The Trustee's investment responsibilities are governed by the Plan's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with London United Busways Limited (the "Company") to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan's investment arrangements and, in particular on the Trustee's objectives.

2. Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk reduces as the Plan's funding level improves. In this capacity, and subject to agreed restrictions, the Plan's assets are invested in multi-client collective investment schemes ("Mercer Funds"). The Mercer Funds are domiciled in Ireland (for traditional asset classes) and in Luxembourg (for private markets assets). The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited ("MGIM")) and the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à r.l. and, respectively, these entities have appointed Mercer Global Investments Europe Limited ("MGIE") and Mercer Alternatives AG ("Mercer AG") as investment managers of the Mercer Funds.

In practice, assets in the Mercer Funds are invested with third party fund managers based in countries such as Ireland, UK and USA. Mercer and its affiliates have expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan's assets on a day to day basis.

In considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. 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).

3. Investment Policy and Risk

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, and is driven by its investment objectives as set out 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 the Statement of Investment Arrangements ("SIA"). The format of this statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustee believes, however, that it incorporates a response to all the requirements of the Act.

4. Investment Objectives

The Trustee understands that taking some investment risk, with the support of the Sponsoring Company, is necessary to improve the Plan's current and ongoing funding positions. The Trustee recognises that equity investment (and other growth assets) will bring increased volatility to the funding level, but in the expectation of improvements in the Plan's funding level through asset outperformance over and above the liabilities over the long term.

The Trustee's primary objective is to make sure the Plan can meet its obligations to the beneficiaries of the Plan. The long term objective of the Trustee is therefore to reach a position such that the assets would be sufficient to exceed the liabilities as determined, in the event of the Plan winding-up, on the basis of a buyout with an insurance company.

The Trustee recognises this ultimately means investing in a portfolio of bonds but believe that at the current time some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustee recognises that this introduces investment risk and these risks are discussed below.

The Trustee has agreed that the Plan should move progressively towards a target of an entirely bond-based investment strategy ("Matching Portfolio") as its funding level increases. The Trustee will monitor progress against this target.

The Trustee believes that the investment strategy adopted for achieving this objective will also be appropriate for achieving the objectives of avoiding significant volatility in the contribution rate over the longer term. The Trustee recognises that investment in return seeking assets could potentially lead to volatility in the contribution rate over shorter time periods.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determines to be financially material considerations. Non-financial considerations are discussed in section 10.

5. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Plan's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more volatility in the Plan's funding position.
- To control the risk outlined above, the Trustee, having taken advice, set the split between the Plan's Growth and Matching Portfolio such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in

section 4. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk. Whilst moving towards the target funding level, the Trustee recognises that even if the Plan's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Plan's assets and the Plan's liabilities due to the mismatch in duration between assets in the Matching Portfolio and actuarial liabilities.

- The Trustee invests in leveraged Liability Driven Investment (LDI) funds to help maintain the liability hedging without materially impacting on expected return, but the Trustee recognises that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the matching portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes, the Trustee believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- To help diversify manager-specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Plan assets are managed by appropriate underlying asset managers

- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Plan's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee would ensure that the assets of the Plan are predominantly invested in regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Plan's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Plan is subject to currency risk because some of the investment vehicles in which the Plan invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 11 sets out how these risks are managed

Should there be a material change in the Plan's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular, whether the current de-risking strategy remains appropriate.

In addition, the investment strategy will be reviewed approximately annually.

6. Investment Strategy

The Trustee, with advice from the Plan's Investment Consultant and Scheme Actuary, and in conjunction with the Company, last reviewed the Plan's investment strategy in 2019. This annual review considered the Trustee's investment objectives, their ability and willingness to take risk (the risk budget) and how this risk budget should be allocated and implemented (including de-risking strategies).

Following a strategy review in 2014, the key decision was to seek a long-term solution to 'de-risk' the Plan's assets relative to its liabilities over time using a dynamic trigger-based de-risking framework. The Trustee decided to implement their de-risking strategy by way of its Dynamic De-risking Solution. Following the review in 2019 the Trustee concluded that a de-risking strategy continued to be appropriate for the Plan, particularly following closure to future accrual and new members.

The solution determined by MDDS determines the asset allocation of the Plan with reference to the Plan's funding level (on an actuarial basis using a single discount rate of 0.4% p.a. in excess of appropriate gilt yields). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target full funding on a "gilts+0.4% p.a." basis by 2029;

- To reduce the volatility in the funding level by reducing un-hedged liability exposures; and

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

A further review of the investment strategy was carried out in 2022 which showed that the Plan had made significant progress towards being fully funded on the gilts+0.4% basis. Therefore, following agreement between the Trustee and Company, the Plan's de-risking framework was extended to include additional de-risking triggers up to a funding level of 110% on the gilts+0.4% p.a. basis. This target was set as an initial proxy to the potential cost of a buyout with an insurance company in the future.

The de-risking triggers which form the basis of the Plan's dynamic investment strategy are set out in a separate document – the Statement of Investment Arrangements ("SIA").

Once the funding level deteriorates and falls below a de-risking trigger threshold, the asset allocation will not be automatically "re-risked". The Trustee has also delegated the composition of the growth and matching portfolios to Mercer.

Responsibility for monitoring the Plan's asset allocation, and undertaking any rebalancing activity when the range restrictions are breached, is delegated to Mercer. Mercer reports quarterly to the Trustee on its rebalancing activities.

7. Realisation of Investments

The Trustee on behalf of the Plan holds shares in the Mercer Funds. The investment managers to the Mercer Funds, (including the underlying third party asset managers appointed by MGIE), within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments. As noted in Section 11, the Trustee also has the ability to terminate its agreement with Mercer, thus disinvesting from the Mercer Funds.

8. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Plan's assets in line with the Plan's strategic allocation. Mercer is responsible for raising cash flows to meet the Plan's requirements.

9. Rebalancing

As noted, responsibility for monitoring the Plan's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced growth portfolio weighting, under the new de-risking band, as defined in the Statement of Investment Arrangements.

Rebalancing takes place in accordance with the provisions of the discretionary investment management agreement entered into between the Trustee and Mercer, and unless specifically agreed, any assets outside of the Growth and Matching Portfolios will not be part of such rebalancing.

10. Environmental, Social, and Corporate Governance, Stewardship and Climate Change

The Trustee believes that environmental, social and corporate governance (ESG) factors may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets, and therefore investors, as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. These beliefs have informed the following Trustee policies. The Trustee has appointed Mercer as fiduciary investment manager and has therefore delegated responsibility for implementation, including integration of ESG, to Mercer.

The Trustee's policy is to require Mercer to integrate factors, including ESG and climate change, that are financially material to a particular investment in the context of the Plan's investment strategy at various stages of the portfolio construction and manager selection processes. The Trustee has set a timeframe running to 2029 to become fully funded on the Plan's self sufficiency basis, and it expects to pay pensioners to member for many years into the future beyond that date. Long-term investment performance is therefore important. However, there may be elements of the investment strategy where the fundamental investment objective is appropriately short-term in nature. When considering whether a factor is financially material the Trustee will consider the objective of the investment, as well as its nature and structure. The Trustee expects its investment consultants, Mercer, to identify financially material factors relevant to the Plan's portfolio and advise accordingly. The Trustee works with Mercer (as investment consultant) to understand its approach to assessing the credentials of underlying managers to integrate ESG factors into their investment processes. The Trustee's policy is to consider such factors proportionately, in the round, as part of any decision to select, retain or realise an investment.

The Trustee also has a policy that requires Mercer (as fiduciary manager) to engage with the underlying investment managers, as it does on behalf of all its clients, to encourage the underlying investment managers to exercise any rights attaching to the investments it holds, and to engage with the companies held where possible.

The Plan is invested in pooled funds (i.e. it owns rights in investment funds in which a number of investors invest). The Trustee does not directly own any of the assets within the fund, which are managed for the benefit of all investors. It does not have any rights, like voting rights, in relation to the underlying assets and is instead relies on the manager's engagement with underlying vehicles in which the fund is invested in (e.g. regarding that vehicle's approach to ESG impact and risk, performance and strategy, conflict management and capital structure). It is also not commercially possible for a single investor, like the Trustee, to require managers of pooled funds to make specific changes to their investment approach (e.g. in relation to integration of certain factors like ESG or stewardship). The optimal way for the Trustee to exercise its preference regarding a pooled product manager's approach is part of the decision to select, retain or realise an investment. The Trustee is also cognisant that the selection of Mercer as fiduciary manager has an impact in itself on ESG integration for the Plan and is the Trustee is comfortable that Mercer also manages its approach to ESG impact and risk, performance and strategy, conflict management and capital structure of its funds in line with the Trustee's policy.

Consequently the Trustee's policy is that the manager's approach to financially material factors, such as ESG and climate change, and stewardship forms part of the criteria used when deciding whether to select or retain the fiduciary investment manager (or other pooled fund products). It should also form an appropriate part of the ongoing monitoring of the fiduciary investment managers' performance. It expects managers (passive and active) to comply with the UK Stewardship Code and UK Corporate Governance Code, and other appropriate engagement activities with the issuers or holders of the assets it invests in.

The Trustee has delegated day to day management of the Plan's assets to a fiduciary manager, Mercer. The Trustee will work with Mercer to understand how it selects, retains and realises investments on behalf of the Trustee, and to consider whether this is aligned with the Trustee's policies and beliefs.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy. The Trustee periodically reviews the Mercer Sustainable Policy to ensure that it remains appropriately aligned to the Trustee's policies.

The Trustee has not set any investment restrictions on Mercer as appointed fiduciary manager in relation to particular products or activities, but may consider this in future. Mercer has given their appointed managers investment restriction in relations to particular products of activities, which the Trustee will continue to monitor. The Trustee will ensure that it receives appropriate reporting from Mercer, in order to monitor Mercer's compliance with this Statement.

Mercer, and MGIE, is expected to provide reporting to the Trustee on a regular basis, usually at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and other asset classes where relevant and where data is available.

Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Plan, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.

The Trustee does and will continue to consider sustainability themed investments as a way to implement its policies and beliefs. The Plan currently invests in a sustainable equity portfolio and may consider private market sustainable opportunities in the future.

The Trustee does not currently engage in any formal way with other pooled fund investors in order to exert pressure on managers. However, Mercer in its role as fiduciary manager has the combined influence of its pension schemes clients, and as such exert more influence than the Trustee could alone. The Trustee considers this beneficial (to the extent it aligns with the Trustee's beliefs).

The Trustee recognises the conflict of interest which may arise in the context of responsible investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Non-Financial matters

The Trustee does not take non-financial matters (e.g. anyone's ethical views or personal views in relation to social and environmental impacts or quality of life) into account when making any investment decisions, including selecting, retaining or realising investments. There is not likely to be a common view amongst members. The Trustee will comply with its legal duty to act in the financial interests of the membership as a whole.

11. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 6, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, long-term liabilities.

As Mercer manages the Plan's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer (as fiduciary manager) to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 4. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Plan's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds, and the information it receives through this reporting assists the decision-making process. As part of this process and when appropriate, the Trustee will challenge Mercer's performance both as fiduciary manager and manager of the underlying Mercer Funds.

Neither Mercer, MGIE, nor Mercer AG make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE and Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's, Mercer AG's and MGIE's assessment of how each underlying third party asset manager integrates medium and long-term performance of underlying investee companies into their investment approach, including ESG considerations and active asset stewardship and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement. Section 10 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Plan.

The underlying third party asset managers are incentivised, as they are made aware by Mercer, that their continued appointment by MGIE and Mercer AG will be based, at least in part, on their success in meeting the expectations of Mercer. As noted above, it is intended that Mercer's expectations align with the Trustee's policies.

The Trustee is a long-term investor and is not looking to change the investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above. The arrangements will continue until such time as the Trustee decides that the use of Mercer and/or the Mercer Funds is no longer suitable or the investment objective to be fulfilled by a particular Mercer Fund has been met.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 6. Mercer's, and MGIE's, fees are based on a percentage of the value of the Plan's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance. As noted earlier in this Section, the Trustee has the right to renegotiate commercial terms or terminate the agreement if performance is unsatisfactory.

Mercer AG fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Funds.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's and Mercer AG's and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Plan's annualised, MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Other than in respect of private markets investments where turnover in the Mercer Funds does not usually apply, performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

12. Review of this Statement

The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances, the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated Investment Policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters, and to have the appropriate knowledge and experience of the management of pension scheme investments.

Adopted by the Trustee in September 2023

London United Busways Retirement Benefit Plan

Statement of Investment Principles

Contents

1. Introduction
2. Plan governance
3. Risks
4. Corporate Governance and Social, Environmental or Ethical Investment
5. Investment aims and objectives
6. Investment Strategy
7. Monitoring
8. Charges
9. Declaration

1. Introduction

This document constitutes Part 2 of the Statement of Investment Principles (the SIP) required under Section 35 of the Pensions Act 1995 for the Trustee of the London United Busways Retirement Benefit Plan (the Plan) for both the PIP and AVC sections. The SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The PIP and AVC sections are a defined contribution (also known as money purchase) arrangement that operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries and is registered with HMRC under the Finance Act 2004.

The member's retirement benefits depend on:

(i) The level of contributions made by or in respect of the member

(ii) The level of bonus distribution applied by the Plan's provider for members holding with-profit policies

(iii) The investment return achieved by the selected unitised fund

(iv) When and how members choose to access their accumulated fund

Before preparing this SIP, the Plan Trustee confirms that they have consulted with the Plan's Principal Employer, RATP Dev UK Ltd. The Trustee has also considered advice from its appointed Investment Adviser.

The PIP and AVC sections are invested in a core selection of funds, including with-profits, which are provided by Utmost Life and Pensions (the Plan's current Provider, including Investment Platform Manager), and is a wholly-insured arrangement which has no investments other than specified qualifying insurance policies.

The Trustee is responsible for the investment of the PIP and AVCs assets and arranging administration of these policies. Where the Trustee is required to make an investment decision, it will first receive written advice from an Investment Adviser. The Trustee believes that this, together with their own expertise, ensures that they are appropriately familiar with the issues concerned and that the advice received and arrangements implemented are consistent with the requirements of section 36 of the Pensions Act 1995 (as amended).

The Trustee believes the Investment Adviser to be qualified by their ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the investment arrangements that the Plan requires.

The SIP will be reviewed at least every three years, or following any significant change in investment policy.

The Trustee also confirms that they will consult with the Principal Employer and take advice from the Investment Adviser prior to this SIP being revised.

2. Plan governance

The Trustee considers that the following governance structure is appropriate for the PIP and AVC sections, since it enables the Trustee to retain the decision-making role on the investments available to members, while appointing Utmost Life and Pensions to manage the day-to-day aspects as appropriate.

Trustee

The Trustee is responsible for, amongst other things:

- Reviewing from time to time (at least every three years, or following any significant change in investment policy) the content of this SIP and modifying it if deemed appropriate in consultation with the Principal Employer and on advice from an Investment Adviser
- Reviewing the investment options and the performance of the available funds at least every three years or following significant change in investment policy, or the demographic profile of relevant members
- Assessing the quality of the performance and processes of Utmost Life and Pensions by means of regular reviews of the investment results of each fund through meetings and written reports in consultation with an Investment Adviser
- Appointing and dismissing of an Investment Platform Manager (currently Utmost Life and Pensions) on advice from an Investment Adviser
- Assessing the ongoing effectiveness of an Investment Adviser
- Consulting with the Principal Employer when reviewing investment policy issues
- Monitoring compliance of the investments with the SIP on an ongoing basis
- Providing any appointed organisations/individuals with a copy of the SIP, where appropriate

The Trustee considers that it has sufficient skills and investment knowledge to give appropriate focus to investment issues without appointing a separate investment sub-committee to make investment related decisions. The Trustee board is assisted in making such decisions by a DC working party, consisting of at least two trustee directors, and the Plan's Investment Adviser as necessary (or such other composition agreed by the Trustee from time to time).

Investment Platform Manager

The Investment Platform Manager will be responsible for, amongst other things:

- At their discretion, but within the guidelines agreed with the Trustee, selecting and undertaking transactions in specific investments within each fund, including the selection, retention and realisation of assets.
- Providing administration for the PIP and AVCs on behalf of the Trustee, including investment of members' contributions in their chosen funds and providing information to the Trustee in an agreed format
- Providing the Trustee with sufficient information to facilitate the review of their activities, including:
    - Performance and rationale behind past and future strategy for each fund,
    - A full valuation of the assets
    - A transaction report
- Informing the Trustee immediately of:
    - Any serious breach of internal operating procedures
    - Any material change in the knowledge and experience of those involved in the Plan's investment options

Investment Adviser

An Investment Adviser would be asked to, amongst other things:

- Participate with the Trustee in reviews of the SIP
- Advise the Trustee on how any changes, such as in the membership and legislation, may affect the manner in which the assets should be invested
- Advise the Trustee of any changes relating to the Investment Platform Manager and other investment providers that could affect the interests of the Plan
- Assist the Trustee with monitoring the Investment Platform Manager and arrangements
- Discusse with the Trustee any changes in the investment environment that could either present opportunities or problems for the PIP and AVC sections
- Undertake reviews of the PIP and AVC's investment arrangements when requested by the Trustee including reviews of the investment options and current Investment Platform Manager, and selection of new manager(s) as appropriate
- Provide written advice as required under Section 36(3) of the Pensions Act 1995

3. Risks

The Trustee recognises a number of risks involved in the investment of PIP and AVC assets.

Defined contribution members face four key risks:

– *Inflation risk* – the risk that the purchasing power of their retirement pot is not maintained

– *Pension income risk* – the risk that the value of pension benefits (or annuity) that can be purchased by a given retirement pot amount is not maintained

– *Investment risk* – the risk that the value of their retirement pot may fall in value. (This is most important to members approaching retirement who may not have sufficient time to regain the value of investments)

– *Opportunity risk* – the risk that members take insufficient investment risk, especially at younger ages, which results in a smaller pot of money with which to provide benefits

The importance of each risk varies with time. Inflation is important throughout the savings period. Pension income and investment risks only become significant as retirement approaches. In considering the member offering, the Trustee acknowledges that the investment time horizon of each individual member is different and will depend upon their current age and when they expect to retire.

Other risks involved in the investment of assets include the following:

- *Underperformance risk* – addressed through monitoring the performance of the Investment Platform Manager and taking necessary action when this is not satisfactory
- *Application of Market Value Adjustment* – as some assets are primarily invested in a with profits policy with Clerical Medical, members' crystallising benefits prior to, or post normal pension age can be subject to a market value adjustment (MVA). The MVA can be applied by Clerical Medical at anytime without prior notification. The Trustee, where possible, will notify members who are claiming benefits outside their normal pension date of the potential of an MVA being applied
- *Communication risk* – the risk that communications (or the lack of communications) to members lead to poor decisions being made - addressed through the Trustee regularly monitoring member communications and updating them, where appropriate, as part of the ongoing governance of the Plan

- *Inappropriate member decision* – addressed through communications to members and highlighting the benefits of members seeking independent financial advice
- *Organisational risk* – addressed through regular monitoring of the Investment Platform Manager and Investment Adviser
- *Country/political risk* – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries
- *Manager risk* – the risk that the decisions taken by an investment manager may have a detrimental impact on the returns of a fund. The Trustee is aware that it is reliant on the manager to take appropriate investment decisions in pursuit of the investment objective.
- *Benefit Conversion Risk* – the risk that the value of the member's pre-retirement investment fund does not keep pace with the 'value' of the retirement benefits they intend to secure. This risk is not specifically mitigated within the default but fund options are available to members to manage this risk outside of the default.
- *Solvency Risk* – this is the risk that Utmost Life and Pensions becomes insolvent which prevents them paying the returns across to members. The Trustee expects Utmost Life and Pensions to be setting aside sufficient solvency capital to ensure benefits can be paid in this event.

The Trustee will have regard for these risks when determining investment strategy and will keep these risks under regular review.

As part of its regular monitoring (at least once a year) the DC working party identifies and monitors risks, including the main investment risks. As part of that reporting risks are measured against likelihood and impact and controls to manage those risks are recorded. The DC working party will also, at least annually, review market conditions and performance against the Trustee's objectives with their DC investment adviser and consider appropriate actions.

The Trustee does not take non-financial matters (e.g. anyone's ethical views or personal views in relation to social and environmental impacts or quality of life) into account when making any investment decisions, including selecting, retaining or realising investments. There is not likely to be a common view amongst members. The Trustee will comply with its legal duty to act in the financial interests of the membership as a whole.

4. Corporate Governance and Social, Environmental Investment

The Trustee believes that environmental, social and corporate governance (ESG) factors may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets, and therefore investors, as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. 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.

The Plan is invested in pooled funds (i.e. it owns rights in investment funds in which a number of investors invest). The Trustee does not directly own any of the assets within the funds, which are managed for the benefit of all investors. It does not have any rights like voting rights in relation to the underlying assets and instead relies on the manager's engagement with underlying entities in which the fund is invested (e.g. regarding that entity's approach to ESG impact and risk, performance and strategy, conflict management and capital structure).

It is not commercially possible for a single investor, like the Trustee, to require managers of pooled funds to make specific changes to their investment approach (e.g. in relation to integration of certain factors like ESG or stewardship). The optimal way for the Trustee to exercise its preference regarding a pooled product manager's approach is part of the decision to select, retain or realise an investment.

Consequently the Trustee's policy is that the manager's approach to financially material factors, such as ESG and climate change, and stewardship forms part of the criteria used when deciding whether to select or retain a pooled fund product. It should also form an appropriate part of the ongoing monitoring of the investment managers' performance. It expects managers (passive and active) to comply with the UK Stewardship Code and UK Corporate Governance Code, and other appropriate engagement activities with the issuers or holders of the assets it invests in. The Trustee will use the Investment Adviser's assessment of how the investment managers embed ESG into their investment process and how the managers' responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policies on voting and engagement. The Trustee will work with the DC Investment Adviser to understand how it makes such assessments and monitors managers, and consider how it aligns with the Trustee's policies. The DC Investment Adviser will report to the Trustee, to enable the Trustee to monitor compliance with this statement. When assessing manager performance the Trustee expects the Investment Adviser to consider the time horizon of the investments relative to the benefits to be funded.

The Trustee selected Utmost Life and Pensions to carry out the day to day management of the Plan's assets. The Trustee has not set any investment restrictions on Utmost Life and Pensions as appointed manager in relation to particular products or activities, but may consider this in future. The Trustee does and will continue to consider sustainability themed investments as a way to implement its policies and beliefs.

The Trustee does not currently engage in any formal way with other pooled fund investors in order to exert pressure on managers.

5. Investment aims and objectives

The Trustee aims and objectives are to:

- Offer a suitable range of funds, so that the PIP and AVC members have a range of investment options to choose from
- Review, in conjunction with an Investment Adviser, by means of discussion with the Investment Platform Manager, any fund option offered to members that either underperforms its benchmark over a significant timeframe or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the PIP and AVC investment aims and objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.

6. Investment Strategy

The investment strategy consists of a range of investment options. Whilst there are no contributions from active members currently being invested, the Trustee is aware that historically, contributions of some members may been invested into the Clerical Medical With-Profits Fund, which is accessed via the Utmost Life and Pensions platform. This option is classified as a default option for the Plan. At the start of 2020, the assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Life Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost Life and Pensions Limited. From 1 July 2020 to 31 December 2020, the assets were gradually transferred from the Utmost Life Secure Cash Fund into the Utmost Life Money Market Fund, following advice from the Investment Adviser. No assets remain invested in the Secure Cash Fund. As members' assets were transferred to a new investment strategy on a non-consent basis, the Money Market Fund is considered to be an additional default arrangement. The Trustee has produced a specific Statement of Investment Principles for this additonal default arrangement, as required by legislation, which is included as Part 3 of this Statement.

The investment choices comprise a wide range of assets including developed market equities, emerging market equities, gilts, index-linked gilts, with profits and cash. The members can, having considered their own appetite for risk, decide on the balance of different kinds of investments, from the range of funds offered by the Trustee. This will determine their individual expected returns.

The Trustee monitors the fund range offered by the Investment Platform Manager including the investment strategy and asset allocation of those funds. It also monitors actual returns against expected returns with input from the DC Investment Adviser at least annually. The Trustee receives advice from the DC Investment Adviser on the appropriateness of the investment options for Plan members. If concerns are raised about the appropriatness or performance of the funds, the Trustee will consider if and when to explore alternative arrangements, which may include the realisation of investments and transfer of funds elsewhere.

Where practicable the Trustee expects investments to be readily realisable (e.g. investments and disinvestments to be permitted a daily basis in unit-linked funds).

Clerical Medical with-profits

The Plan also offers a unit-linked with-profits fund which means that it is the unit price that is increased each year in line with the regular bonus rate. This is the ongoing default for the purposes of the Plan.

Regular bonus

The regular bonus rate is reviewed each year Once a regular bonus has been paid, it cannot be taken away because the unit-price cannot be reduced.

Terminal bonus

A terminal, or final, bonus may be paid when benefits are either transferred out of the with-profits fund or at retirement, and is calculated when such an event occurs. The final bonus can be changed or removed at any time, and is therefore not guaranteed.

Market Value Reduction

Clerical Medical reviews MVRs regularly and they can be applied at any time. An MVR is not deducted on death, or when a member reaches their scheme retirement age.

Unit linked funds

In addition to the unit-linked Clerical Medical with-profits fund, the list of unit-linked funds, available via the Utmost Life and Pensions, being used in the PIP and AVC arrangements are as follows:

- Managed
- Money Market
- Pelican (UK Equity)

7. Monitoring

The Trustee will monitor the performance of the Plan's Investment Platform Manager and where relevant the underlying third party fund managers, against the agreed performance of the objective for each fund.

The Trustee will undertake regular reviews (at least annually) of the Investment Platform Manager to consider whether they are continuing to carry out their work competently and continue to have the appropriate knowledge and experience to manage the assets of the Plan.

In any event the Trustee will formally review the progress and performance of the Investment Platform Manager and any relevant third party fund managers every three years. As part of this review, the Trustee will consider whether or not the Investment Platform Manager:

- Is carrying out its work competently
- Has regard to the need for diversification of investments
- Has regard to the suitability of each investment and each category of investment
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical

Implementation and Engagement Policy

Aligning Manager Investments Strategy and Decisions with Trustee's policies

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustee will seek guidance from the Investment Adviser, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Adviser's assessment of the manager, in relation to the particular investment fund that the Plan offers to its members. The Investment Adviser's manager research assist with due diligence and is used in decisions around selection, retention and realisation of manager appointments. This includes an assessment of the manager's focus on an issuer's medium to long term performance and their engagement with issuers to enhance performance. This is incorporated into the Trustee's monitoring reports. The Trustee will work with the Investment Adviser to understand how it makes its assessments and consider how it aligns with the Trustee's policies

The Trustee will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives and policies

The Trustee invests in pooled investment vehicles so 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.

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 and the outcome of the Investment Adviser's regular assessments of the manager. If the Trustee is dissatisfied, then it will look to review the appointment.

Evaluating Investment Manager Performance

The Trustee receives investment manager performance reports on an annual basis, which present performance information over 1 year, 3 years and 5 years. The Trustee reviews the absolute performance and relative performance against sectors of funds with similar investment strategies (where possible), on a net of fees basis.

The Trustee focuses on long term performance in line with its policies in this statement but, as noted above, may review a manager's appointment if, for example:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or the team responsible;
- There is a change in the underlying objectives or process of the investment manager;
- There is a significant change to the Investment Adviser's assessment.

The Trustee monitors fees for investment management services as part of its annual value for members' assessment, which includes assessing the performance of managers against the Trustee's investment objectives set out in this statement.

Portfolio Turnover Costs

The Trustee monitors portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of its annual value for members' assessment. The Trustee does not have an explicit targeted portfolio turnover or range. It assesses portfolio turnover in the context of the particular mandate and if it is not will, via the DC Investment Adviser, engage with the manger to find out why.

Manager Turnover

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. However, the Trustee will consider changing if for example:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);
- The manager appointed has been reviewed as mentioned earlier and the Trustee has decided to terminate the mandate.

Advisers

The Trustee will monitor the advice given by an Investment Adviser on a regular basis.

Trustee

The Trustee will monitor all the decisions it takes by maintaining a record of all decisions taken, together with the rationale in each case.

Other

The Trustee will review this SIP regularly (at least triennially) and modify it if deemed appropriate, in consultation with the Principal Employer and an Investment Adviser.

This implementation and engagement policy also applies to the default arrangements as covered by the specific Statement of Investment Principles for the Plan's defaults, appended as Part 3 of the Statement.

8. Charges

An Annual Management Charge (AMC) is an annual fee levied on the members to cover the costs of managing their funds. It is calculated as a percentage of the value of the fund.

Utmost Life and Pensions unit-linked funds

The AMC for the unit-linked funds are as follows:

Fund	AMC as at September 2023
Managed	0.75%
Money Market	0.50%
Pelican (UK Equity)	0.75%
Clerical Medical With-profits	0.50%

9. Declaration

The Trustee confirms that this SIP reflects the investment strategy they have implemented for the PIP and AVC arrangements under the Plan. The Trustee acknowledges that it is its responsibility, with guidance from the Investment Adviser, to ensure the assets of the PIP and AVCs are invested in accordance with these principles.

Mark Fletcher	18 September 2024
……………………………………………………….	…………………………………..
Signed	Date

On behalf of the Trustee of the London United Busways Retirement Benefit Plan

THE LONDON UNITED BUSWAYS RETIREMENT BENEFIT PLAN (THE "PLAN")

STATEMENT OF INVESTMENT PRINCIPLES IN RESPECT OF THE DEFAULT INVESTMENT OPTION

1. Introduction

1.1 The Trustee of the Plan has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of Section 2A the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation, relating to provision of information specific to default investments, referred to as "default arrangement". This should be read in conjunction with the Part 2 Statement.

1.2 The default arrangements covered by this Statement are the Clerical Medical With Profits Fund in the main section, and in the appendix, the Utmost Life Money Market Fund.

1.3 Unless otherwise stated below, the policies contained in the Part 2 Statement apply to the default arrangements contained in this Part 3 Statement.

1.4 Unless otherwise stated in the appendix, the below policies and statements applicable to the Clerical Medical With Profits Fund apply to the Utmost Life Money Market Fund.

2. Principles

2.1 The Trustee recognises that many members do not consider themselves able to take investment decisions. In addition, the Trustee is aware that members who have not actively decided upon an investment option will have had their contributions invested for them, making their arrangements a default arrangement.

2.2 Whilst no contributions are currently being paid into the Plan, investments may have historically been placed in the default arrangement.

2.3 The default arrangement covered by the main section is the Clerical Medical With Profits Fund which is accessed via a policy provided by Utmost Life and Pensions.

3. Clerical Medical With Profits Fund Default Arrangement

Objectives

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

- To achieve a smoothed level return over the medium to long term

- The Trustee has selected a with profits fund as the default arrangement. With profits funds have objectives that are consistent with that stated above.

- The Trustee has appointed Clerical Medical to manage the default arrangement. The Clerical Medical With Profits Fund is invested in a range of assets including equities, government and corporate bonds, property and cash. The strategic investment mix is reviewed regularly by Clerical Medical and assets are chosen with a view to getting the best possible long-term performance; and making sure that the with-profits fund can always meet its guarantees.

- To provide members with bonuses, at the discretion of the provider, depending on prevailing investment performance.

The policies with regards to the payment of bonuses can be found in the Principles and Practices of Financial Management (which is a Clerical Medical document that sets out how the Clerical Medical With Profits Fund is managed).

Policies in relation to the default arrangement

3.2 The Trustee's policies in relation to the default arrangement, in relation to regulation 2A of the Occupational Pension Schemes (investment) Regulations, Section (b) (i) to (vi are as follows:

- The Trustee has selected a with profits arrangement which means that the day-to-day decisions on the kinds of investments and the balance between different kinds to be held are taken by Clerical Medical. The Trustee acknowledges that there are restrictions in the extent that it can control these day-to-day decisions. The Trustee monitors the investment strategy and performance of the with profits arrangement and considers if it remains appropriate as part of its annual value for members assessment.

- The default arrangement manages investment risks during the lifetime of the investment. Section 4 provides further information on the Trustee's risk policies in relation to the default arrangement.

- In providing the default arrangement the Trustee considers the trade-off between expected risk and return. This is reviewed periodically. The Trustee's expectation is that the default arrangement will provide a positive real return over the long term in a steady manner, noting that it is reliant on asset allocation decisions taken by Clerical Medical to achieve this expectation.

- The Trustee takes into account the needs of members with regards the investment in relation to the security, quality, liquidity and profitability. To a great extent, the Trustee is reliant on the provider to manage these aspects.

- If members wish to, they can opt to choose their own investment options at any time from a limited range of daily dealt unit-linked funds. The Trustee communicates with members where penalties may apply on disinvestment.

- The Trustee monitors performance of the default arrangement. The Trustee does not provide advice to members on their individual choice of investment options.

- The selection, retention and realisation of assets within the With Profits fund is delegated to Clerical Medical in line with its Principles and Practices of Financial Management guidelines. Clerical Medical has full discretion on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

3.3 The Trustee's policy in relation to illiquid assets, within the default investment option, is detailed below:

- The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash at a reasonable value. Illiquid assets are not publicly traded and can also include physical assets like property and infrastructure. The Plan has indirect exposure to illiquid assets within its default investment option, the Clerical Medical With Profits Fund, comprising of a c.10% allocation to property and a c.3% allocation to private debt. The allocation to illiquid assets is not dependent on member age and members aged from c.40 years old to c.76 years old are invested in the Fund.

- The Trustee is comfortable indirectly investing in a small proportion of illiquid assets, to gain exposure to the potential for higher returns and benefits of diversification relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustee, it is also aware of the risks of investment in 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, the Trustee considers direct investment into an illiquid asset fund, such as a Long Term Asset Fund ("LTAF"), as not currently suitable for members of the Plan, although this is kept under review. Moreover, the overall strategy of the Plan continues to be reviewed by the Company and Trustee and as such a direct investment in illiquid asset funds with initial 'lock-in' periods is not feasible at this time.

- The Trustee expects Clerical Medical, as the investment manager of the default investment option, to consider investment in illiquid assets and the suitability of such an investment as part of its overall management of the With Profits Fund. The Trustee carries out a formal review of the default investment arrangements on a triennial basis and will include consideration of illiquid asset investment within these reviews.

Member's Interests

3.4 Taking into account the demographics of the membership and the Trustee's views of how the membership will behave at retirement, the Trustee will review the appropriateness of the default arrangement, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Non-Financial matters

3.5 The Trustee does not take non-financial matters (e.g. anyone's ethical views or personal views in relation to social and environmental impacts or quality of life) into account when making any investment decisions, including selecting, retaining or realising investments. There is not likely to be a common view amongst members. The Trustee will comply with its legal duty to act in the financial interests of the membership as a whole.

4. Risk

4.1 The Trustee has set out a number of risks in Part 2 of this Statement, as required by (b) (iii) of the Regulations. The means by which those relevant for the default arrangements are managed or mitigated is set out below:

- ***Investment return risk*** – the risk that low investment returns over members' working lives will be lower than expectation. The Trustee has sought to reduce this risk by offering a fund that invests in assets with long term growth expectations, noting this cannot be guaranteed.

- ***Manager risk*** – the risk that the decisions taken by an investment manager may have a detrimental impact on the returns of a fund. The Trustee is aware that it is reliant on the manager to take appropriate investment decisions in pursuit of the investment objective.

- ***Benefit Conversion Risk*** – the risk that the value of the member's pre-retirement investment fund does not keep pace with the 'value' of the retirement benefits they intend to secure. This risk is not specifically mitigated within the default but fund options are available to members to manage this risk outside of the default.

- ***Currency risk*** – this is the risk that investments in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms. The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies.

- ***Liquidity risk*** – this is the risk that the pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity. The Trustees access daily dealt and daily priced pooled funds. Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.

- ***Inflation risk*** **-** this is the risk of investment returns not keeping pace with inflation. The Trustee has sought to address this risk by offering a fund that is across a range of asset classes that are expected to achieve a real rate of return over inflation. This may be further enhanced by returns paid in the form of discretionary bonuses.

- ***Market Value Adjustment*** – this is the risk that Clerical Medical impose a penalty on members' investments should they transfer their benefits or take 'non-standard' retirement. The Trustee does not have the direct ability to mitigate this risk but will look to communicate with members so as to manage member expectations in the event of this adjustment.

- ***Solvency*** **Risk** – this is the risk that the Clerical Medical become insolvent which prevents them paying the returns across to members. The Trustee expects Clerical Medical to be setting aside sufficient solvency capital to ensure benefits can be paid in this event.

- **Risk of operational costs -** The members who invest in the Clerical Medical with profits fund bear profits and losses arising from expenses and there is a risk that these will increase. The Trustee has noted that Clerical Medical's policy states that they plan to deduct no more than 1% in any one year, but in very adverse market conditions, may have to deduct more than this to ensure that guarantees are met.

- ***Operational risk*** **–** The Trustee will consider Utmost Life's performance at least annually and monitor developments, taking advice from the Investment Adviser.

- ***Transparency risk*** – the Trustee has noted that it will not necessarily have access to the methodology used to calculate investment returns and bonuses in relation to the Clerical Medical With Profits Fund.

- ***Timing risk*** – this is the risk that members invested who leave the Clerical Medical With Profits Fund later are impacted by less favourable returns that those who left earlier. The Trustee expects Clerical Medical to adopt a fair mechanism for the distribution of returns across all members.

Unless otherwise set out above, the risks are as set out in Part 2 of the Statement.

5. Suitability of the Clerical Medical With Profits Default

5.1 Based on its understanding of the Plan's membership, the Trustee believes that the above objectives and policies (including relevant policies in the Part 2 Statement) reflect members' needs and are intended to ensure assets are invested in their best interests, in particular because:

- The aim of achieving a smooth steady return is deemed to be in the best interest for members to provide growth to their contributions to achieve better outcomes in retirement.

- Investing in a fund that may apply bonus returns (noting that these are discretionary) will also have a positive impact of member outcomes.

- Investing in a fund that mitigates risk through diversification, for which the kind of assets and the balance between these has been delegated to a professional manager, is believed to improve the chances of achieving a smooth and steady return, which is in members' best interests.

5.2 The default arrangement is aimed largely at members who have elected not to make investment decisions. The Trustee is aware that the default may not be suitable for all members.

6. **Review of this Statement**

6.1 The Trustee will review this Statement at least once every three years and without delay after any significant change in the membership profile or investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed: Mark Fletcher

Date: 18 September 2024

Appendix

Additional Default Arrangements – Utmost Life and Pensions Limited

At the start of 2020, the assets previously held in the Equitable Life With Profits Fund were transferred into the Utmost Life Secure Cash Fund without members' consent. This occurred as part of the transfer of the Equitable Life Assurance Society's UK policies to Utmost Life and Pensions Limited. Between 01 July 2020 and 31 December 2020, the assets will be gradually moved into the Utmost Life Money Market Fund, following advice from the investment consultant.

As the Equitable Life With Profits Fund was closed and members mapped to a new investment strategy, the Money Market Fund can be considered as an additional default arrangement, as per the broader definition of a default in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("the Charges and Governance Regulations 2015"), effective from 6 April 2018. Details of the funds used within the Money Market Fund, the additional default arrangement, are set out in this Appendix.

In 2020, the Utmost Life Secure Cash Fund was used as a temporary measure following the transfer from Equitable Life to Utmost Life. During this period, this Fund was also designated as an additional default arrangement, however all Plan assets were transferred out of the Fund at the end of 2020, at which point the Fund also closed.

In line with regulatory requirements, the Trustee will continue to review the following over time.

Aims, Objectives and Policies

The aims, objectives and policies of the additional default arrangement are considered in more detail in following pages. The Trustee has focussed on what it considers to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

Money Market Fund

The Trustee sees the Money Market Fund as an appropriate investment following the temporary holding in the Secure Cash Fund, as detailed above.

The main objective of the Utmost Life Money Market Fund is to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates.

The Money Market Fund will predominantly be invested in short term deposits. The investment manager is responsible for determining the balance between the different kinds of investments.

Other policies are in line with the Part 2 Statement.

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
Investment Return Risk	The fund will predominantly be invested in short term deposits.	The Trustees will monitor the performance of this fund.
Inflation Risk	The fund is not aiming to keep pace with inflation.	The Trustees will monitor the performance of this fund, and will ensure members are aware of the fund's objectives.
Solvency Risk	The Trustees have taken comfort from the High Court ruling in 2019 which considered the status of Utmost Life in the initial status of monitoring this investment. Underlying investments are considered in line with the main Part 3 Statement above.	Monitor developments at Utmost, taking advice from the Investment Adviser.
Operational Risk	The Trustee will consider Utmost Life's performance at least annually.	Monitor developments at Utmost, taking advice from the Investment Adviser.
Manager Risk	The Trustee seeks advice from their investment advisers on the ongoing suitability of the Fund.	The Trustee will monitor performance, taking advice from their Investment advisers.

Members Interests

The Money Market Fund is designed to meet its objective as outlined above. The Trustee believes that its objectives and policies in relation to this fund will ensure assets are invested in relevant members' best interests. In particular because this would provide a degree of capital protection for members, particularly those closer to retirement than the average member, and likely to access their funds at retirement. In line with regulatory requirements, the Trustee will continue to review this over time, at least triennially and likely sooner for those further away from retirement, or after significant changes to the Scheme's demographic profile.