

**The Mitsubishi Electric UK  
Retirement Benefits Scheme**

**Statement of Investment Principles**

**August 2024**

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# 1. Introduction

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## 1.1 Scheme background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for The Mitsubishi Electric UK Retirement Benefits Scheme (the “Scheme”).
- The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries.
- The Scheme provides benefits calculated on a defined benefit basis and a defined contribution basis.
- Gallagher (Administration & Investment) Limited (“Gallagher”) is the investment consultant to the Trustees.

## 1.2 Statement structure

This Statement is divided into two main sections as follows:

- **Statutory Section:** This section covers the requirements of and the Scheme’s compliance with the provisions of the Pensions Act 1995 and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).
- This SIP also reflects the requirements and recommendations within The Pensions Regulator’s general code of practice, in respect of both DB and DC assets (including additional voluntary contribution (AVC) arrangements).
- **Appointments and responsibilities:** This section includes additional non-statutory information on the key appointments and responsibilities with respect to the investment aspects of the Scheme.

## 2. Statutory Section

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### 2.1 Introduction

This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). It is divided into three sub-sections:

- General Section
  - Defined Benefit (“DB”) Section
  - Defined Contribution (“DC”) Section
- In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
  - The Trustees will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Scheme’s circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.
  - The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.
  - All investment decisions of the Scheme are under the control of the Trustees, with no constraint by the Sponsoring Employer. All investment decisions are taken by the Trustee board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when a sub-committee may be set up. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

### 2.2 General Section

- This section of the Statement contains information relating to both the DB and the DC Sections.

#### 2.2.1 Kind of investments to be held

- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash and property or via pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Scheme.

## 2.2.2 Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of assets are not expected to take an undue time to liquidate.
- Investments within the DC section (including in the default option), are subject to these realisation requirements.

## 2.2.3 Financially material considerations

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.
- The Trustees have been provided with the investment managers' policies in respect of financially material considerations and are satisfied that they are consistent with the above approach.
- The Trustees will take into account the managers' ESG policies when appointing and reviewing investment managers.

## 2.2.4 Non-financial matters

- The financial interests of the members are the Trustees' first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

## 2.2.5 Stewardship in relation to the Scheme's assets

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.
- The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

## 2.2.6 Engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and the Trustees expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.
- The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis by reviewing the manager's voting and engagement activity when preparing the Scheme's annual implementation statement.
- The Trustees will engage with an investment manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken are not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the views of the Trustees.
- The Trustees recognise that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment. The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for cash, bonds and liability-driven investments, although the Trustees expect the managers to use their overall influence from their wider assets under management.
- The Trustees have not set out their own stewardship priorities but follow that of the investment managers.
- The investments are held in pooled vehicles including an investment trust. The Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

## 2.2.7 Voting Rights

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the investment managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance/stewardship/voting policies and voting records into account when appointing and reviewing investment managers.
- The Trustees have not set out their own voting policy but follow that of the investment managers.

## 2.2.8 The Trustees' policy in relation to their investment managers

- In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the

investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

### **2.2.9 How the arrangement incentivises the investment managers to align their investment strategy and decisions with the Trustees' policies**

- The Trustees have delegated the day to day management of the Scheme's assets to a number of investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with each investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

### **2.2.10 How the arrangement incentivises the investment managers to engage and take into account financial and non-financial matters over the medium to long-term**

- The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.
- The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

### **2.2.11 How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' investment policies**

- The Trustees expect their investment managers to invest the assets within their portfolios in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.
- If the Trustees determine that an investment manager is no longer managing the assets in line with the Trustees' policies they will make their concerns known to the investment manager and may ultimately disinvest.
- The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management.
- Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level

compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

### **2.2.12 How the Trustees monitor portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range**

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

### **2.2.13 The duration of arrangements with investment managers**

- The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment managers should the performance and processes of any investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the managers adhering to their stated policies, and the continued positive assessment of their ability to meet their performance objectives.

## **2.3 Defined Benefit Section**

- This section of the Statement contains information relating only to the DB Section of the Scheme.

### **2.3.1 Investment Objectives and Suitability of Investments:**

- The Trustees' agreed investment strategy is based on an analysis of the liability profile of the Scheme, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objective.
- The Trustee's primary objectives are:
  - To provide appropriate security for all beneficiaries.
  - To achieve long-term growth sufficient to provide the benefits from the Scheme.
  - To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.
- The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the appendices.



- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the appendices.
- The Trustees consider their current strategic asset allocation to be consistent with the current financial position of the Scheme. This judgement is made with reference to the technical provisions set out in the Scheme's latest Statement of Funding Principles.

### **2.3.2 Diversification**

- The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark (see Appendix 1).
- Subject to their respective benchmarks and guidelines the managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.
- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.
- Given the size and nature of the Scheme, the Trustees have decided to invest primarily on a pooled fund basis; any such investment is effected through a direct agreement with an investment manager and/or through an insurance contract. The Trustees also have a direct share-holding in an infrastructure related investment trust.
- The Trustees are satisfied that the range of pooled vehicles in which the Scheme's assets are invested provides adequate diversification.

### **2.3.3 Balance between different kinds of investments**

- The appointed Investment Managers will hold a diversified mix of investments in line with their agreed benchmark and discretion to move away from the benchmark. Within each major market each manager will maintain a diversified portfolio of stocks within pooled vehicles.

### **2.3.4 Risk**

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities. The Trustees have assessed the likelihood of future undesirable financial outcomes arising in the future. The adopted investment strategy is outlined in Appendix 1.
- The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Scheme's investment consultant as part of any regular monitoring reports and valuations produced.

### **2.3.5 Expected return on investments**

- The current investment strategy is believed to be capable of exceeding the overall required rate of return as detailed in the most recent actuarial valuation in the long term.

### **2.3.6 Additional Voluntary Contributions (“AVCs”)**

- The Trustees also have full discretion as to the appropriate investment vehicles made available for members' AVCs. As with the main Scheme, only investment vehicles normally considered suitable for AVC investment will be considered by the Trustees with advice taken from properly qualified and authorised investment consultants. Members are expected to take independent financial advice when choosing an AVC vehicle.

## 2.4 Defined Contribution Section

- This section of the Statement contains information relating only to the DC Section of the Scheme.

### 2.4.1 Investment objectives and investment decisions

- The Trustees believe that fund selection is an important decision for all members since it is likely to have an important influence on the risk and return achieved on members' pension savings. The Trustees regularly communicate with members to enable them to understand the importance of this area and to provide them with education to help them to make informed choices about their selection of funds.
- However, the Trustees also recognise that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of designing an appropriate default strategy for the Scheme's membership.
- Whilst the Trustees believe the chosen default option is a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal circumstances when determining whether the default option or an alternative strategy would best meet their needs.
- The default option has been designed having taken due regard to the membership profile of the Scheme, including consideration of:
  - the size of members' retirement savings within the Scheme;
  - members' current level of income and hence their likely expectations for income levels post retirement
  - the fact that members may have other retirement savings invested outside of the Scheme; and
  - the ways members may choose to use their savings to fund their retirement.
- These factors have also been considered when setting the range of alternative investment options from which members can choose.
- The objective of the default strategy is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims to maximise the level of return (net of fees) that a member could expect to receive from the Scheme over the course of their working lifetime, while minimising the risk of them having income provision in retirement significantly below what may reasonably be expected.
- The objective of the alternative investment options available is to allow members to tailor their investments based on their individual investment requirements, while avoiding complexity. The range should assist members in achieving the following:
  - maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement;

- protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs; and
  - tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.
- The Trustees recognise that members using the default strategy are likely to be less financially aware than those using self-select options and have taken this into account in the strategy design.
  - The Trustees' investment consultant provides advice regarding the suitability of both the default option and the self-select options available.
  - The Trustees make available a property fund which members can choose to invest in. If dealing in this fund is suspended for any reason, the Trustees will temporarily divert member contributions from the property fund to a cash fund. Once the suspension ceases the associated cash fund holding will be switched into the property fund unless the member actively chooses an alternative approach. The objective of the cash fund is to provide capital stability and this fund would not generally be expected to be used for long-term investment.
  - Details of the default and self-select options chosen (including the investment objectives of the individual funds), are shown in the appendices.
  - Members are advised to take independent financial advice before choosing between these funds.
  - The Trustees are satisfied that the funds offered to members and the appointed investment manager(s) is/are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity. In relation to the default option in particular, diversification is achieved through the use of a diversified growth fund for the growth phase of the default lifestyle option.

#### **2.4.2 The Trustees' policy in relation to illiquid assets for the purposes of the default strategy in the DC Section**

- The Trustees' policy is to only access illiquid assets indirectly for the purposes of the Scheme's default arrangement.
- Illiquid assets are defined as assets of a type which cannot easily or quickly be sold or exchanged for cash and where assets are invested in a collective investment scheme, includes any such assets held by the collective investment scheme.

- Illiquid assets can be included within the default investment strategy through holdings in the following collective investment scheme:

Fund	Illiquid assets held*
LGIM Diversified Fund	Property Private Market Credit

\*The investment manager has the discretion to decide on the allocation to each illiquid asset.

- Due to the nature of the default investment strategy, members' holdings in this fund will vary over the 7-year period preceding retirement.
- The Trustees have chosen a collective investment scheme that holds illiquid assets for the following reasons:
  - to provide diversification, which is expected to provide better risk adjusted returns; and
  - to gain an expected illiquidity premium over the longer term.
- The Trustees expect that including these illiquid assets within the default arrangement will provide better value for members over the long term, net of fees. However the Trustees recognise that the inclusion of illiquid assets does not guarantee better future results.
- The Trustees have taken the decision not to hold illiquid assets **directly** based on the following:
  - the potential for liquidity risks to impact members' benefits; and
  - high fees.
- The Trustees have no current plans to increase their investments in illiquid assets in the future. However, they review the default strategy from time to time, and this review will include a review of the appropriate level and type of illiquid assets to hold.

### 2.4.3 The balance between different kinds of investment

- The investment manager will maintain a diversified portfolio of stocks or bonds within each of the funds offered under the Scheme (both within the default and self-select options). In addition, the design of the default strategy and the alternative lifestyle strategies provides further diversification through the use of multiple funds throughout a member's working lifetime.
- Each fund has a defined objective and the Trustees are satisfied that the funds offered are appropriate for the different categories and ages of members. Further details are included in the appendices.

## 2.4.4 Risk

- The Trustees have considered risk from a number of perspectives. These are:
  - The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, provide an adequate retirement income.
  - The risk that investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of retirement income.
  - The risk that relative market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit.
- The investment strategy for the default option has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.
- To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

## 2.4.5 Expected return on investments

- The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Scheme's membership and having taken into account the risk considerations set out above.
- The objective of the equity, property and diversified funds is to achieve an attractive real return over the longer term. The objective of the cash and bond funds respectively is to provide for the payment of a lump sum on retirement and to reduce volatility, rather than to achieve a specific real or nominal return. The Trustees are satisfied that these return objectives are consistent with the aims of members at different stages within the lifestyle strategies.

## 3. Appointments and responsibilities

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This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

### 3.1.1 Trustees

The Trustees' primary responsibilities regarding investments include:

- Preparation of the Statement and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Principal Employer and the Investment Consultant, at least every three years. The Statement will also be reviewed following a significant change in investment strategy.
- Appointing investment managers and investment consultants as necessary for the good stewardship of the Scheme's assets.
- Setting objectives for the appointed investment consultants (and reviewing these at least every three years, and following any significant change to investment strategy), and reviewing the investments consultants' performance against these objectives at least annually.
- Reviewing the investment strategy in conjunction with each triennial Actuarial Valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the Investment Consultant and the Scheme Actuary, reviewing the stewardship/voting policies of the investment managers, and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.
- Assessing the performance and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information.
- Monitoring compliance of the investment arrangements with this Statement on a regular basis.
- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.

### 3.1.2 Investment Consultant

The main responsibilities of the Investment Consultant include:

- Obtaining a copy of the Trustees' investment consultant objectives prior to undertaking work to ensure they understand the Trustees' requirements.
- Assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer.

- Undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of investment managers.
- Monitoring and advising upon where DB Section contributions should be invested or disinvested on a periodic basis.

### **3.1.3 Investment Managers**

The Investment Managers' main responsibilities include:

- Investing assets in a manner that is consistent with the objectives set.
- Ensuring that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.
- Providing the Trustees with quarterly reports including a review of the investment performance and any changes to their investment process.
- Attending meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the internal performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on share-holdings in accordance with their general policy.

### **3.1.4 Custodian**

- The custodianship arrangements are those operated by the Investment Managers for all clients investing in their pooled funds. In addition, the Trustees have appointed a custodian in respect of their direct share-holding.

### **3.1.5 Administrators**

- The Scheme's pension administrator is Gallagher.

### **3.1.6 Scheme Actuary**

The Actuary's main responsibilities in respect of investment policy include:

- Performing the triennial (or more frequently as required) Actuarial Valuations and advising on the appropriate level of contributions and the Scheme's funding level in order to aid the Trustees in balancing short term and long-term investment objectives.



- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

### **3.2 Performance monitoring**

- Each of the vehicles in which the Scheme invests has a stated performance objective by which the performance is measured.
- The Trustees will review the performance of the appointed Investment Managers from time to time, along with reasons for this performance.
- The Investment Managers are expected to provide written reports on a quarterly basis.
- The Trustees receive independent investment performance monitoring reports from the Investment Consultant on a quarterly basis.

#### **The Trustees of the Mitsubishi Electric UK Retirement Benefits Scheme**

Implemented by the Trustees of the Mitsubishi Electric UK Retirement Benefits Scheme on 1 August 2024

## Appendix 1 – Strategic Benchmark and Objectives

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### Defined Benefit Section

#### Strategic benchmark

The target strategic asset allocation for the Scheme is set out below followed by the investment managers' underlying benchmarks.

Portfolio	Asset Class	Control Range %
Growth	Equities and Infrastructure	0 – 20
Hedging and Income	Gilts, Leveraged Liability Driven Investment, Buy & Maintain Corporate bonds and Cash	80 – 100
<b>Total</b>		<b>100</b>

Asset Class	Benchmark Index
Overseas Equities	FTSE All World ex-UK – GBP Hedged
Infrastructure	No benchmark <sup>1</sup>
Corporate Bonds	No benchmark <sup>2</sup>
Gilts and Leveraged Liability Driven Investment	Comparator based on nominal/real interest rates of appropriate terms
Cash	SONIA
<b>Total</b>	

1. Whilst the infrastructure fund (HICL) has no official benchmark, its official performance objective of 7.0% p.a. is used for performance monitoring purposes.
2. A diversified portfolio of corporate bonds of appropriate term which, in the opinion of the Investment Manager, are not likely to default or experience a significant deterioration in credit quality.
3. The Hedging and Income portfolio aims to hedge between 80% and 100% of interest rate and inflation risks associated with the Scheme's liabilities as measured on a strong actuarial basis.

The above control ranges are to act as warning signals rather than as a definite need for action should they be breached. The Trustees will regularly review the asset allocation of the Scheme and they will consider what action, if any, is appropriate in the case of a control range being breached.

#### Investment Managers

The Scheme is invested with the following two Investment Managers for a range of different assets classes:

- Legal & General Investment Management (“Legal & General”) manages overseas equities, Buy & Maintain Corporate Bonds, Gilts, leveraged Liability Driven Investment and cash funds.
- InfraRed Capital Partners Limited (“InfraRed”) is the investment advisor to HICL Infrastructure PLC (“HICL”), whose shares the Scheme invests in directly.

## Performance objectives

The overall objective of the Scheme is to maintain stability of the funding position where the liabilities are valued using a strong actuarial basis. Individual performance objectives (where relevant) for the investment managers are detailed below.

### Legal & General

- World ex-UK Equity Index Fund – GBP Hedged: track the sterling total return of the FTSE All World ex-UK Index on a currency hedged basis against sterling to  $\pm 0.50\%$  (gross of fees) in two years out of every three.
- Leveraged LDI funds: Bespoke Gilts and Swaps based benchmark over the long term.
- Buy & Maintain Credit funds: generate income and principal payments from the underlying non-government bonds within the maturity period specified for each fund.
- Single stock gilt and index-linked funds: Track the performance of the relevant gilt to  $\pm 0.25\%$  (gross of fees) in two years out of every three.
- Sterling Liquidity Fund: Achieve a competitive return relative to SONIA.

### InfraRed

- Listed Infrastructure Fund: Performance target of 7.0% p.a.

## Defined Contribution Section

### Fund Options

Members have the option to invest in the following eleven funds with Legal & General:

#### **Global Equity Fixed Weights (60:40) Index Fund**

- This Fund aims to capture the total returns of the UK and overseas equity markets, as represented by the FTSE All Share Index in the UK and the appropriate regional subdivisions of the FTSE All World Index. A 60/40 distribution between UK and overseas assets is maintained with the overseas distribution held in fixed weights.

#### **UK Equity Index Fund**

- This Fund aims to track the sterling total return of the FTSE All Share Index to within  $\pm 0.25\%$  p.a. for two years in three.

#### **World Equity Index – GBP Hedged Fund**

- This Fund aims to track the sterling total return of the FTSE All World Index on a currency hedged basis against sterling to within  $\pm 0.5\%$  p.a. for two years in three.

#### **World Emerging Markets Equity Index Fund**

- This Fund aims to track the sterling total return of the FTSE All World All Emerging Markets Index to within  $\pm 1.5\%$  p.a. for two years in three.

#### **Managed Property Fund**

- This Fund aims to exceed the MSCI/AREF UK Quarterly All Balanced Property Fund Index over three and five year periods.

#### **Diversified Fund**

- This Fund aims to provide long-term investment growth through exposure to a diversified range of asset classes. The Fund invests primarily in Legal & General's pooled index funds in order to gain exposure to these various asset classes, but there is an element of active management used in addition.

#### **Future World Multi-Asset Fund**

- This Fund aims to provide long-term investment growth through exposure to a diversified range of asset classes (excluding physical property) while reflecting significant environmental, social and corporate governance (ESG) issues into the Fund's investment strategy.

### **Over 15 Year Gilts Index Fund**

- This Fund provides a means for members approaching retirement to obtain or increase their exposure to fixed interest securities by tracking the FTSE Over 15 Year Gilt Index, which is expected to move in a broadly similar fashion to movements in non-inflation linked annuity prices.

### **AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund**

- This Fund invests primarily in long-dated AAA and AA rated corporate fixed interest securities and aims to capture the yield premium of corporate bonds over gilts.

### **Over 5 Year Index-Linked Gilts Index Fund**

- This Fund aims to track the sterling total return of the FTSE Index-Linked (Over 5 Year) Index to within  $\pm 0.25\%$  p.a. for two years in three. For members who wish to purchase an inflation-linked annuity at retirement, this Fund would be the natural choice prior to such a purchase.

### **Cash Fund**

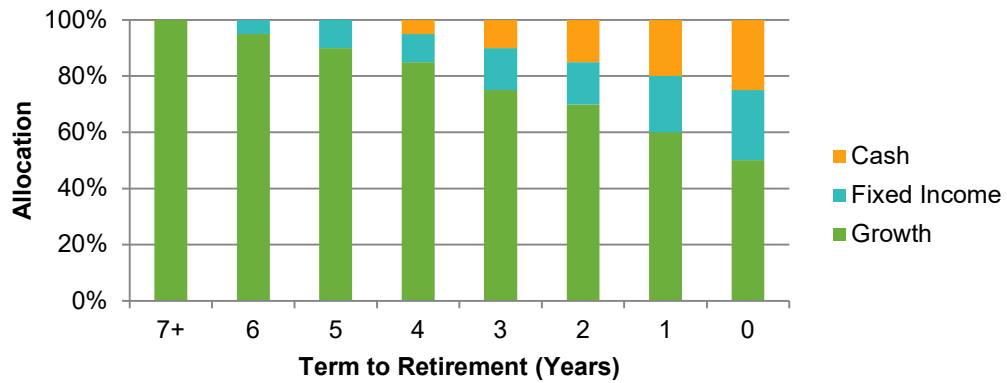
- This Fund is aiming to achieve the median return of similar cash funds without incurring excessive risk.

## **Lifestyle Strategies**

Two lifestyle programmes are made available. One of these is the default option for members that do not wish to choose their own selection of funds. Both of these entail members using the Diversified Fund as the growth allocation.

### **Default Strategy**

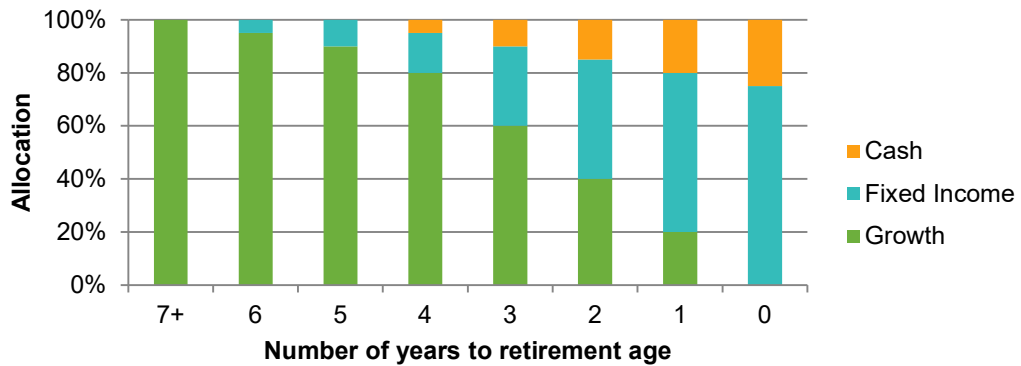
As members approach retirement, their exposure to the growth allocation is reduced but still maintained at a material proportion of members' existing assets. The balance is made up of fixed income and cash according to the chart below. This has the aim of reducing volatility of returns and protecting some part of the capital value, whilst still providing scope for investment growth.



The fixed income allocation used in the lifestyle matrices is broadly split 50% Over 15 Year Gilts Index Fund and 50% AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund.

### Annuity Strategy

An additional lifestyle programme is also made available to members who self-select it. Over seven years to the selected retirement date, this option phases all assets into cash and fixed income according to the chart below. This has the aim of reducing volatility of returns and protecting some part of the capital value, whilst providing a partial match to the changing costs of annuity purchase prices as retirement approaches.



## Appendix 2 – Fees

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### Investment Manager Fees

#### Defined Benefit Section

Manager	Fund	Fee (p.a.)
Legal & General	World (ex UK) Equity Index Fund GBP Hedged <sup>1</sup>	0.243%
Legal & General	Leveraged LDI funds <sup>1</sup>	0.240%
Legal & General	Single stock gilt funds <sup>1</sup>	0.100%
Legal & General	Maturing Buy and Maintain Credit	0.150%
Legal & General	Sterling Liquidity	0.125%
InfraRed	HICL <sup>2</sup>	1.090%

<sup>1</sup> A sliding scale of fees applies with the fee quoted being the highest charge band.

<sup>2</sup> The fee quoted is the total expense ratio per the Fund's 2023 audited accounts, but it will vary over time.

#### Defined Contribution Section

Manager	Fund	Fee (p.a.)
Legal & General	Global Equity Fixed Weights (60:40) Index Fund	0.160%
	UK Equity Index Fund	0.100%
	World Equity Index – GBP Currency Hedged	0.223%
	World Emerging Markets Equity Index Fund	0.450%
	Managed Property Fund	0.700%
	Diversified Fund	0.300%
	Future World Multi-Asset Fund	0.300%
	Over 15 Year Gilts Index Fund	0.100%
	AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.150%
	Over 5 Year Index-Linked Gilts Index Fund	0.100%
	Cash Fund	0.125%

The Trustees have confirmed that the default option offered has total fees payable by members less than 0.75% p.a. and will monitor compliance with this on an ongoing basis.

#### Investment Consultant fees

The investment consultancy services are provided by Gallagher who are remunerated on a time cost basis, which is considered the most appropriate basis as the services required fluctuate year on year. The basis of remuneration is kept under review.