

SPX UK Pension Scheme

Chair's Statement for the Scheme year ending 31 December 2019

This Chair's Statement ('Statement') has been prepared by the Trustee of the SPX UK Pension Scheme ('the Scheme') to demonstrate how the Scheme has complied with the DC governance standards introduced on 6 April 2015 under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

There are various DC benefits within the Scheme which, for the purposes of this Statement, we will refer to as the "DC Section".

This is the third statement and relates to the Scheme year ending 31 December 2019 and covers the following key areas:

1. Scheme Management, including the Trustee's compliance with the statutory Trustee Knowledge and Understanding ("TKU") requirements;
2. Investment governance of the Scheme's default arrangement;
3. Charges, transaction costs and value for money within with the Scheme;
4. Illustrations of the cumulative effect of the transaction costs and charges;
5. Administration, including the processing of core Scheme financial transactions.

1. Scheme Management

Trustee Knowledge and Understanding

Upon appointment, and subsequently, the Trustee Directors are made aware that they are required to maintain appropriate levels of trustee knowledge and understanding, both individually and collectively. This requirement is managed in a number of ways:

- Newly appointed Trustee Directors are provided with a copy of the Pensions Regulator's 'A guide for new trustees', Code of Practice 7 relating to Trustee Knowledge and Understanding (TKU) and scope guidance relating to both Defined Contribution and Defined Benefit Schemes.
- It is strongly recommended that all newly appointed trustees complete the Pensions Regulator's eLearning trustee toolkit within 6 months of becoming a Trustee Director and details of how the toolkit can accessed are provided to a new Trustee Director once appointed.
- Trustee training is a regular agenda item at Trustee meetings, with training provided by the Trustee's advisers, as appropriate and, where possible, on the afternoon before the main Trustee meeting. Ad-hoc updates on key issues are also provided by the Trustee's advisers when required.
- The Trustee Directors are encouraged to attend and have attended external pension related seminars and events run by their professional advisers.
- The Trustee Directors have access to a document portal, which contains the key Scheme documents that the Trustee Directors should be familiar with and which they can access at any time, as required. These documents include the Scheme's Trust Deed & Rules, amending deeds, member booklets, the Statement of Investment Principles (SIP) and the Trustee Business Plan.

The Trustee had specific training in 2019 as follows:

- 25 March – Legislation/Regulatory update including DC section constitution/options
- 17 June – Investment Managers
- 23 September – Scheme Benefits
- 25 November – Investment Strategy and Investment Manager review

The Trustee has arranged specific areas of training in 2020 as follows:

- April 2020 – GMP Equalisation
- June 2020 – Investment Managers
- September 2020 – Administration issues
- November 2020 – Actuarial issues

The Trustee intends to continue to assess training needs during 2020 and into 2021, and on a regular basis thereafter, to identify any training needs for the future.

In addition to the knowledge and skills within the Trustee board itself, the Trustee has also appointed a number of professional advisers who provide specialist support and advice. This includes the Scheme's third-party administrators, legal advisers, investment consultants, Scheme Actuary and auditors.

The Trustee Directors have been trustees for at least 5 years, with one Director having experience of pension scheme management through their role in the US Pensions Team, one with prior trustee experience and the current Finance Director of the Principal Employer and the other having been a trustee of the Scheme (and former Plan) for 18 years.

The advisers attend or feed into Trustee meetings as necessary and are reviewed on a rolling 3 year period at different times.

Pooling of these resources together means that the Trustee Directors are well equipped to exercise their duties and manage the Scheme effectively.

Conflicts of duty or interest and Risk Management

Conflicts of duty or interest is a regular agenda item at the start of each Trustee meeting and, should any conflicts of duty or interest be declared by any Trustee Director, the required action will be decided by those present at the meeting. Such action may be for the conflicted Trustee Director to be excluded from the meeting or excluded from the particular item causing the conflict.

The Trustee maintains a Risk Register which is reviewed at least annually.

2. Investment governance and Scheme's default investment arrangement

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default investment option.

The Trustee's investment strategy and objectives in relation to the Scheme's default investment option are set out in the Statement of Investment Principles (SIP), which is appended to this document, and are extracted below.

A review of the investment options for the DC and AVC sections was completed in 2016, including a review of the default investment strategy.

In carrying out this review the Trustee considered a number of factors including the demographics of the Scheme membership and how these members are likely to take their DC fund. The Trustee also obtained information about the members' needs, attitudes to risk, and retirement expectations to assess what an appropriate default arrangement will be for the Scheme.

Following this review, the Trustee decided to amend the default strategy, having taken advice from its investment consultant, which included revisiting the review to ensure that circumstances had not changed since the original advice. The amended default strategy was implemented in February 2018. The Trustee Directors further reviewed the strategy and fund performance in September 2019 and were satisfied that their stated objectives were being met and the performance was in line with expectations.

The Trustee regularly monitors the performance of the default arrangement and will formally review both this and the strategy at least every three years or immediately following any significant change in investment policy or the Scheme's member profile. The next review is intended to take place in September 2020.

The Trustee has produced a SIP which summarises the Trustee's decisions in respect of investments, including their aims, objectives and policies for the Scheme's default investment strategy.

The Trustee's key aims and objectives with regard to investments are as detailed in the SIP as follows:

- To offer a range of passive and actively managed funds with different objectives and risk profiles from which members can make a choice.
- To offer a default investment strategy in the event that members are unwilling to make their own investment choice.
- In selecting the fund choices offered to members of the DC section, the Trustee has considered the historical rates of return earned on the various asset classes available.
- The members' investments are held in funds which are sufficiently liquid to be realised to provide pension benefits on retirement or on earlier payment.
- The Trustee has taken advice from its investment consultant to ensure that the investment options are suitably diversified and appropriate for the Scheme. The Trustee will review the suitability of the funds offered from time to time.

Members who do not make an active investment decision have their fund invested in a default Lifestyle arrangement which aims to help members by:

- Adopting a strategy which is designed taking Scheme members' characteristics into account, e.g. their tolerance to risk and how they are likely to take their pension in retirement;
- Aiming to provide a smoother transition to retirement by de-risking gradually over time, as opposed to a single point in time;
- Aiming to provide a better risk adjusted return irrespective of where members are on their savings journey;
- Enhancing expected asset growth in the opening and middle stages through the addition of emerging market exposure to the equities;
- Diversifying sources of return in the middle and end stages through allocating to corporate bonds.
- Over the year, the Trustee Directors were satisfied that their stated objectives were being met and the investment performance for the DC and AVC sections was in line with their expectations.

3. Charges - Transaction costs and value for money

Transaction costs and charges borne by members may have a significant impact on their pension savings, so it is important the Trustee keeps the levels of these deductions under review.

Member-borne costs and charges

The costs associated for many of the services required to operate the Scheme and support members, such as administration and communications, are met by the Scheme sponsor. Key information in respect of charges is as follows:

- The charges (AMC and additional expenses) relating to the funds available to members range from 0.15% to 0.75%.
- The same range of unit-linked investment funds is available to both DC Section and AVC Section members, with the exception of the Prudential With-Profits Fund which is only available to AVC Section members.
- The actual costs borne by individual members depend on the fund, or combination of funds, that members are invested in.
- The default arrangement has been set up as a Lifestyle Strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close the members are to their target retirement date and in which fund they are invested. total expected charges for the various phases of the Lifestyle Strategy are as follows:

- Early years 0.38% per annum;
- Mid-term 0.34% per annum;
- At retirement 0.28% per annum.

Transaction costs

The Trustee understands that it is required to assess and understand the different types and levels of transaction costs that are incurred by the different funds and assess the value these costs deliver to members.

For all investment funds, including the default, there are additional charges incurred by members when choosing to transact between different funds. These charges are included by the investment manager within the unit price offered to members and depend on whether members are buying into, or selling out of, a fund. The fund charges and pricing basis for each fund were provided in an update to members explaining the changes in 2019 and will be disclosed in future annual benefit statements.

The Trustee has been able to obtain transaction costs for all the funds being used in the Scheme from Aegon BlackRock who are the Scheme's Dc section investment manager.

The total charges for the various funds available to members are as follows where known:

	Annual Management Charge (AMC)	Transaction Costs	Total Cost to members
Aegon BlackRock 70/30 GLOBAL GROWTH	0.75%	-0.09%	0.64%
Aegon BlackRock UK EQUITY INDEX	0.29%	0.00%	0.29%
Aegon BlackRock CASH	0.33%	-0.01%	0.32%
Aegon BlackRock LONG GILT	0.15%	0.02%	0.17%
Aegon BlackRock70:30 GLBL EQ IDX	0.29%	0.00%	0.29%
Aegon BlackRock EMG MKTS EQ IDX	0.49%	0.11%	0.60%
Aegon BlackRock OVER 15YR CORP BD IDX	0.31%	-0.06%	0.25%
Aegon BlackRock CORP BD ALL STKS IDX	0.30%	-0.02%	0.28%
Aegon BlackRock ALL STOCKS UK I/L GILT	0.28%	-0.07%	0.21%
Aegon LGIM GLOBAL EQUITY 50:50 IDX	0.41%	0.0%	0.41%
Aegon LGIM OVERSEAS CONSENSUS IDX	0.51%	0.00%	0.51%

These charges are reflected in the unit price quoted by the investment manager, rather than being explicitly deducted from each member's fund. The actual costs borne by the individual members depend on the fund, or combination of funds, that the members are invested in.

The Scheme is not used as a qualifying scheme for automatic enrolment so the charge controls on DC schemes do not apply.

Core Financial Transactions

Defined Contribution pension schemes rely on the prompt, accurate, investment of contributions and other payments into the Scheme, and the efficient payment of funds to members when they seek to access their pensions savings.

As the Scheme no longer has any active members, the settlement of benefits are monitored and reported to the Trustee. The Trustee has service level agreements (SLAs) in place with HS Admin and they provide quarterly reports that confirm the performance against these standards.

The performance against the SLAs for the processing and payment of death claims, retirement settlements and trivial commutation payments are reported in HS Admin's routine report to the Trustee (although this does include both defined benefit and defined contribution members), as well as the processing of transfers out of the Scheme, and instructions by members to switch their investment funds. Over the year HS Admin has performed in line with the agreed SLAs for the members of the DC Section.

Value for money

When assessing the charges and costs which are payable by members, there is a requirement to consider the extent to which the investments options and the benefits offered by the Scheme represent good value for members.

There is no legal definition of “good value” and so the process of determining good value for members is a subjective one, however when determining good value for money the Trustee has considered the regulatory guidance available.

As a starting point to the investment review assessing good value, the level of charges in each fund were considered in relation to the levels of return they are expected to deliver to members. These are deemed to be reasonable and deliver good value. The overall charges incurred by members (the costs of membership) have also been compared against the services and benefits provided by the Scheme. The benefits of membership include (amongst other things): the design of the default arrangement and how this reflects the interests of members; the range of investment options and strategies; the efficiency of administration processes and the extent to which HS Admin as administrator met and exceeded its service level standards for the Scheme year; the quality of communications delivered to members; and the quality of support services and Scheme governance.

The Trustee Directors have also reviewed the security of the assets held with Aegon and have received the following information:

- Scenario 1 – Aegon is in default. The Financial Services Compensation Scheme (FSCS) protection applies under contract of insurance rules. There is no upper limit on compensation.
- Scenario 2 – The underlying fund manager (reinsured) is in default. Aegon has a floating charge in place with all managers and would therefore rank on an equal footing with direct customers. However, FSCS protection would not apply unless the loss results in the failure of Scottish Equitable plc, in which case there would be come FSCS protection.
- Scenario 3 – The underlying fund manager (Investment Management Agreement) is in default. Fund manager ring fences assets so the chance of receiving back less than the market value of the portfolio is minimal. However, FSCS protection would not apply unless the loss results in the failure of Scottish Equitable plc, in which case there would be come FSCS protection.

Overall, the Trustee believes that with the day to day administration being managed efficiently and following the implementation of the new investment default and increased choice of funds available to members, members of the Scheme are receiving value for money.

4. Illustrations of the cumulative effect of the transaction costs and charges

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member’s pension savings.

The “before charges and transaction costs” figures represent the projected pension savings assuming an investment return with no deduction of member borne fees or transaction costs. In comparison, the “after charges and transaction costs” figures represent the projection pension savings using the same assumed investment return after deducting the member borne fees (i.e. the AMC) and an allowance for transaction costs.

An illustration is shown for the components of the default option, the Lifestyle Strategy, as most members of the Scheme are invested in the default, as well as two funds from the Scheme’s self-select fund range. The two self-select funds used for the illustrations are:-

- The fund with the highest before costs expected return – this is the Aegon LGIM Overseas Equity Consensus Index Fund.
- The fund with the lowest before costs expected return – this is the Aegon BlackRock All Stocks UK Index-Linked Gilt Index Fund.

The illustrations shown in the table below have been prepared in line with the statutory guidance published by the Department for Work & Pensions.

Projected pension pot in today's money

Years from now	Lifestyle (most popular)		Aegon BlackRock Emerging Markets Equity Index (highest return)		Aegon BlackRock All Stocks UK Index-Linked Gilt Index (lowest return)	
	Before charges & disclosure costs	After charges & disclosure costs	Before charges & disclosure costs	After charges & disclosure costs	Before charges & disclosure costs	After charges & disclosure costs
0	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000
1	£82,456	£82,183	£83,668	£83,203	£78,439	£78,273
3	£87,104	£86,254	£91,517	£89,999	£75,408	£74,929
5	£91,736	£90,261	£100,102	£97,350	£72,494	£71,728
10	£104,423	£101,109	£125,256	£118,463	£65,692	£64,311
15	£118,863	£113,262	£156,731	£144,155	£59,528	£57,661
20	£135,301	£126,875	£196,114	£175,419	£53,943	£51,699
25	£152,879	£141,071	£245,393	£213,464	£48,882	£46,353
30	£166,366	£151,235	£307,056	£259,759	£44,295	£41,560
35	£169,865	£152,338	£384,213	£316,095	£40,139	£37,262

Notes to illustrations

- Values shown are estimates and are not guaranteed.
- Projected pension pot values are shown in today's terms.
- Inflation is assumed to be 2.5% each year.
- The starting pot size is £80,000.
- There are no ongoing contributions.

5. Administration

Processing core financial transactions

The Scheme is closed to new entrants and future contributions.

The processing of core financial transactions are regularly monitored by HS Admin who have documented internal control procedures that help to ensure that core financial transactions are processed promptly and accurately. These include controls and procedures to manage the accuracy of investment allocations, payments of benefits as well as individual transfers out and investment switches managed as part of the Lifestyle arrangement. These include two people authorising payments, authorisation limits being in place and Trustee review of large payments.

The Scheme's administrator, HS Admin, provides a governance report to the Trustee on administration issues at quarterly intervals. The Trustee uses this information to review HS Admin's administration processing, including core financial transactions. The Trustee's service contract with HS Admin includes agreement as to service levels (SLAs) for all key administration transactions, as noted in the table below, and the Trustee monitors performance against SLAs in these quarterly governance reports.

HS Admin monitors investment receipts via daily bank account reconciliations and produces a quarterly bank reconciliation report detailing Scheme transactions which is reviewed by the Trustee to ensure that there are no discrepancies.

Any exceptions or issues with administration or transaction processing identified through the quarterly reporting are discussed with HS Admin to identify the root cause and the provider is asked to confirm what measures are being taken to improve the Scheme's processes in order to minimise the likelihood of repeat issues occurring and ensure transaction processing is as efficient as possible. There have been no material issues or errors identified to date.

In addition, the Trustee has reviewed HS Admin's data processing and disaster recovery and business continuity arrangements, which are covered within their contractual arrangements with HS Admin. The Trustee has received training during the year in relation to data protection and cyber security. The Trustee also reviews HS Admin's administration assurance reports (AAF 01/06) which includes details of their disaster recovery and business continuity plan.

Details of HS Admin’s service levels for key administration tasks are summarised in the table below.

Task description	HS Admin time (working days)	Pending time (working days)	Total elapsed time (working days)	Performance Indicator
Cashflow	5	10	15	90%
Death	13	40	53	90%
General enquiry/ HMRC correspondence	10	10	20	90%
Invoice	2	0	2	90%
Retirement – early from preserved	8	60	68	90%
Retirement – normal from preserved	8	20	28	90%
Retirement – late from preserved	8	40	48	90%
Retirement settlement	6	10	16	90%
Transfer out - quotation	12	100	112	90%
Transfer out – settlement	7	40	47	90%
Value of preserved pension	10	0	10	90%
Payroll cases	Next Payroll Run			90%

The performance achieved, as reported in the quarterly administration reports, is the percentage of cases HS Admin have completed within the ‘Total elapsed time’ targets.

Any exceptions or issues with administration or transaction processing identified through the quarterly reporting will be discussed with HS Admin to identify the root cause and they will be asked to confirm what measures are being taken to improve the Scheme’s processes in order to minimise the likelihood of repeat issues occurring and ensure transaction processing is as effective as possible.

The Trustee Directors review the information provided by HS Admin and consider whether it allows them to determine whether scheme processing is timely and accurate, or whether further reporting would be helpful in future.

Over the period covered by this Statement, the Trustee Directors are satisfied that:-

- HS Admin has been operating appropriate procedures, checks and controls and operating within the agreed SLAs;
- There have been no material administration errors in relation to processing core financial transactions; and
- All core financial transactions have been processed within a reasonable timeframe.

Scheme data and record-keeping

As part of the ongoing review of Scheme data, the Trustee instructed HS Admin to review the Conditional data held regarding the members of the DC section and those members with AVCs.

This data review was carried out in accordance with the Pensions Regulator’s guidance 9 “keeping records: records that must be kept by law under the new employer duties” and an improvement plan will be put in place if required.

The “Conditional Data” score for the DC section is 89%.

Signed
Lynn Williams
16 July 2020

Signed by the Chair on behalf of the Trustee of the SPX UK Pension Scheme

Statement of Investment Principles

SPX UK Pension Scheme

June 2019

Introduction

This document contains the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 (the "Act"), for the SPX UK Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

SPX Pension Trust Company Limited ('the Trustee') is responsible for the investment of the Scheme's assets and the administration of the Scheme. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and it believes that this ensures that it is appropriately familiar with the issues concerned.

Declaration

The Trustee confirms that this SIP reflects the principles governing how decisions about investments are made for the Scheme. The Trustee acknowledges that it is responsible, with guidance from the advisers, for ensuring the assets of the Scheme are invested in accordance with these principles.

Signed Lynn Williams

Date 28th June 2019

For and on behalf of the Trustee of the SPX UK Pension Scheme

Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or its advisers as appropriate.

Investment Objectives

- The principal objective of the Trustee is to invest the assets of the Scheme to meet its liabilities when they fall due.
- The investment strategy of the Scheme is managed and monitored using a Pensions Risk Management Framework (PRMF) which outlines the funding objectives and risk constraints set by the Trustee. The PRMF is reviewed and monitored by the Trustee on at least a quarterly basis including the expected return on assets as provided by the Investment Consultant.
- The Trustee's primary funding objective for the Scheme is to reach full funding using a liability discount rate of Gilts Flat as soon as is practical within a set risk budget.
- In setting the investment strategy, the Trustee aims to:
 - Target an expected return on assets close to the return required to meet the funding objective.
 - Manage the investment risk including that arising due to mismatch between assets and liabilities and limit the total risk on the Scheme below the risk budget set in the PRMF
 - Maintain suitable liquidity of assets such that the Scheme is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls

Investment Managers

- The Trustee delegates the day-to-day management of the assets to the appropriate Investment Managers.
- Investment Managers are carefully selected by the Trustee to manage each of the underlying mandates following guidance and written advice from its Investment Consultant.
- The Scheme pays an annual fee to each manager which along with the mandate's performance targets, benchmarks and restrictions are set out in the respective Investment Management Agreements or pooled fund documentation where applicable.
- The Trustee assesses the investment managers' performance regularly against a benchmark appropriate to each manager, taking into account the level of risk taken by each manager. To assist the Trustee in assessing performance the Investment Consultant will provide relevant

reporting on a quarterly basis. As part of this process, the Trustee has delegated the detailed monitoring of the Scheme's Investment Managers to its Investment Consultant.

- From time to time Investment Managers and/or mandates are changed and this is done after due consideration and the receipt of appropriate advice from an Investment Consultant.

Investment Strategy

Having considered advice from its advisers, and also having due regard for the objectives, the liabilities of the Scheme, the risks of and to the Scheme and the covenant of Radiodetection Limited ('Sponsor'), the Trustee has adopted an appropriate investment strategy. The investment strategy is driven by the objectives and constraints from the PRMF, which helps balance the risks and returns required to reach the Scheme's funding objectives.

This investment strategy is designed to ensure two criteria are met:

- o **Diversification**

The choice of investments is designed to ensure that the Scheme's investments are adequately diversified given the Scheme's circumstances. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

- o **Suitability**

The Trustee has taken advice from the advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its liability profile, any legal requirements, regulatory guidance and specifications in the Trust Deed & Rules.

Monitoring

Investment Managers

The Trustee will monitor the performance of the Investment Managers against the agreed performance objectives.

The Trustee, or the advisers on behalf of the Trustee, will regularly review the activities of the Investment Managers to satisfy itself that each Investment Manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee will consider whether or not each Investment Manager:

- Is carrying out its function 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.

If the Trustee is not satisfied with an Investment Manager, they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee's requirements, it will remove the Investment Manager and appoint another.

SIP

The Trustee aims to review this SIP annually, or, without delay, following any changes to the investment strategy, and modify it with consultation from their advisers and the Sponsor if deemed appropriate. There will be no obligation to change this SIP as part of such a review.

Risks

The Trustee recognises there are a number of risks involved in investing the assets of the Scheme. These include (but are not limited to) deficit risk, manager risk, liquidity risk, currency risk, interest rate and inflation risk, political risk, sponsor risk and counterparty risk. The Trustee monitors and manages these risks through measures specific to each risk.

The Trustee will keep these risks and how they are measured and managed under regular review.

Responsible Investment

Environmental, Social and Governance

The Trustee believes the Scheme is a long-term investor and seeks to achieve sustainable returns at an appropriate level of risk over its lifetime. The Trustee believes that Environmental, Social and Governance ("ESG") risks are financially material risks and should be considered as part of the investment strategy and implementation decisions.

The Trustee believes that the most important methods of managing these risks are integration and engagement (defined below). However, the relevance and impact of integration and engagement will vary between different asset classes.

Integration: integrating the analysis of ESG risks into the active investment decision-making processes. The Trustee believes ESG risks are no less important than any other risks to the Scheme's investments and any active asset manager's process should fully incorporate these risks when assessing the attractiveness of investment opportunities.

Engagement: the Scheme's investment managers are encouraged where possible, to engage directly on ESG risks with the entities they are investing in (whether debt or equity).

When investing in new asset classes, the Trustee assesses, with advice from their advisers, the relevance of ESG-related risks and the most appropriate way to ensure that they are incorporated into the mandate. These views will then affect:

- Whether the asset class is appropriate for the Scheme given the ESG risks it is exposed to and the methods available for managing these risks;
- Where relevant, the selection of a preferred asset manager with a clear commitment to responsible investing, i.e. a manager that has an appropriate approach to integration and engagement for the given asset class.

On an ongoing basis, the Trustee's investment consultant monitors each asset manager's approach to ESG and regularly reports on this to the Trustee.

Stewardship

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers. The Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies to promote the long-term success of the investments. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the Investment Managers on behalf of the Trustee having regard to the best financial interests of the beneficiaries. The Trustee has been made aware of each Investment Manager's corporate governance policy where appropriate and has delegated the exercise of such rights to the Investment Managers.

The Responsible Investment policy will be reviewed on a regular basis as part of the Scheme's SIP review.

Other Issues

Statutory Funding Objective

The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements.

The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with their advisers, whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding objective.

Defined Contribution (DC) Section and Additional Voluntary Contributions (AVCs)

Under the Scheme's Trust Deed and Rules, members are allowed to invest AVCs to improve the benefits they receive at retirement. The Scheme also has a DC Section that aims to provide access to appropriate funds to allow the members the opportunity to generate investment returns. Where members do not wish to make a decision regarding their investments, an appropriate default is provided. The DB section AVC assets and DC section assets are managed through the Aegon DC platform. In addition to the default lifestyle strategy designed by the Trustee for the DB AVC and DC sections, members can self-select investments from a wide range of funds offered by Aegon. The fund range covers an extensive list of asset classes from active multi-asset funds to passive index tracker funds.

There are also AVCs held with Prudential in a With Profits fund. When the decision was made to change the DB AVC assets, it was decided that members in these funds would be given the option of transferring to the Aegon DC platform, rather than enforcing a move, due to possible costs and guarantees associated with their type of investments.

The Trustee reviews these arrangements regularly having regard to their performance, the objectives and the views of their advisers.