

Maxell Europe Limited Pension & Life Assurance Scheme (the “Scheme”)

Statement of Investment Principles

Barnett Waddingham LLP

6 August 2020

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1. Introduction

- 1.1. This is the Statement of Investment Principles for the Maxell Europe Limited Pension & Life Assurance Scheme (the “Scheme”), as prepared by the Trustees of the Scheme (“the Trustees”). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Occupational Pension Schemes (Investment and Disclosure) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted Maxell Europe Ltd, (the “Employer”), and obtained advice from Barnett Waddingham LLP, the Trustees’ investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 20 of the Trust Deed and Rules dated 5 April 2001. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees’ policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional adviser, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme’s assets is delegated to one or more investment managers. The Scheme’s investment managers are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme’s investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme’s liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees’

investment objective is to generate sufficient returns to meet both the self-sufficiency funding objective in the long term and the ongoing funding objective in the medium term, while minimising risks to the extent possible.

- 3.2. The self-sufficiency funding objective of the Scheme is to be fully funded no later than 31 March 2028, on an actuarial funding basis that only takes into account risk free returns, namely using the return on government bonds and related instruments, being the financial instruments which can appropriately match the profile of the expected benefit payments. The self-sufficiency funding basis will also use a mortality assumption that is appropriate and prudent.
- 3.3. The ongoing funding objective of the Scheme is to be fully funded on a measure of liabilities which takes into account risk free returns plus an explicit allowance for excess return derived from the growth assets. The risk free measure used is again based on yields on government bonds and related instruments. The excess return is based on the proportion of growth assets that the Scheme holds and an anticipated return that the Trustees are comfortable with in context of the covenant of the sponsoring employer.
- 3.4. The Trustees also have an objective of ensuring the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due.
- 3.5. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives and annuity policies.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.
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Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).
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7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and **the Scheme's funding position**. The Trustees meet the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, the exercise of voting rights and engagement activities, and non-financial matters

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.5. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.6. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.7. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.8. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.9. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees.

- 10.10. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.11. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.12. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.13. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

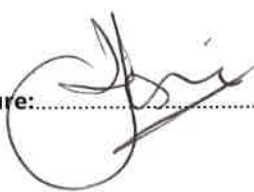
- 10.14. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.15. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the actuary and the Scheme auditor upon request.

Trustees of the Maxell Europe Limited Pension & Life Assurance Scheme

Name: I. JAMIESON

Signature: 

Date: 7/8/2020

Name: N. CONNOR

Signature: 

Date: 7/8/2020

Appendix 1 Note on investment policy of the Scheme as at July 2020 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. BlackRock automatically rebalance the equity portfolio on a quarterly basis according to the agreed regional equity benchmark set out below and their rebalancing control ranges set out in the Investment Management Agreement dated March 2018.

Asset class	Allocation (%)
Growth	75
Equities	22
UK equity	6.6
US equity	2.97
US equity – GBP hedged	2.97
European equity	2.57
European equity – GBP hedged	2.57
Japanese equity	0.94
Japanese equity – GBP hedged	0.94
Pacific Rim equity	1.22
Pacific Rim equity – GBP hedged	1.22
Diversified Growth Funds	30
Multi-Asset Credit	23
Protection	25
Liability Driven Investment	25
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2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Baillie Gifford & Co (Baillie Gifford)
- Barings LLC (Barings)
- BlackRock Investment Management (UK) Limited (BlackRock)
- Newton Investment Management Limited (Newton)
- Hermes Investment Management Limited (Hermes)

The Trustees also have an AVC contract with Prudential plc and Standard Life for the receipt of members' Additional Voluntary Contributions (AVCs).

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority. In addition, the AVC providers are also authorised and regulated by the Prudential Regulation Authority.

The investment benchmarks and objectives for each investment manager are given below:

Investment manager	Fund	Benchmark	Objective
Baillie Gifford	Multi Asset Growth Fund	Bank of England Base Rate	Benchmark +3.5% p.a. (after fees) over rolling 5 years
Barings	Global High Yield Credit Strategies Fund	3-Month GBP LIBOR	+5% p.a. (after fees) over a full market cycle
BlackRock	Aquila Life UK Equity Index Fund	FTSE All-Share Index	Track the benchmark within 0.2% p.a.
	Aquila Life US Equity Index Fund	FTSE United States Index	Track the benchmark within 0.2% p.a.
	Aquila Life Currency Hedged US Equity Index Fund	FTSE - United States 95% Hedged to GBP Index	Track the benchmark within 0.2% p.a.
	Aquila Life European Equity Index Fund	FTSE Europe ex UK Index	Track the benchmark within 0.3% p.a.
	Aquila Life Currency Hedged European Equity Index Fund	FTSE Europe ex UK 95% Hedged to GBP Index	Track the benchmark within 0.3% p.a.
	Aquila Life Japanese Equity Index Fund	FTSE Japan Index	Track the benchmark within 0.2% p.a.
	Aquila Life Currency Hedged Japanese Equity Index Fund	FTSE Japan 95% Hedged to GBP Index	Track the benchmark within 0.2% p.a.
	Aquila Life Pacific Rim Equity Index Fund	FTSE Developed Asia Pacific ex Japan Index	Track the benchmark within 0.3% p.a.
	Aquila Life Pacific Rim Currency Hedged Equity Index Fund	FTSE Developed Asia Pacific ex Japan 95% Hedged to GBP Index	Track the benchmark within 0.3% p.a.
	BlackRock Liability Driven Investment LMF Profile Funds	Real and nominal interest rate sensitivities as implied by real and nominal liability cashflows	To protect against changes in real and nominal interest rates
	Institutional Sterling Liquidity Fund (ICS)	7-day LIBID	Track the benchmark

Newton	Real Return Fund	1 Month GBP LIBOR + 4% p.a.	Match the benchmark gross of fees
Hermes	Multi Strategy Credit Fund	None	Deliver high yield-like returns with significantly less volatility than the global high yield market.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

Liability Driven Investment (“LDI”)

The Trustees have also instructed BlackRock to manage a Leveraged Liability Driven Investment solution for the Scheme. This was implemented in April 2018 and was designed to increase the interest rate and inflation hedge ratios to around 50% of the Scheme’s liabilities as measured on a gilts-only self-sufficiency basis.

The Leveraged LDI Solution comprises BlackRock’s Profile Funds, which themselves consist of a combination of gilts and swaps. BlackRock do not have any discretion to rebalance the Leveraged LDI Portfolio on an ongoing basis. However, the Trustees will typically review the liability hedge following each actuarial valuation in order to ensure the hedge remains appropriate after allowing for membership and market movements.

3. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge
Baillie Gifford	Multi Asset Growth Fund	0.50% p.a.
Barings	Global High Yield Credit Strategies Fund	0.70% p.a.
BlackRock	Aquila Life UK Equity Index Fund	0.10% p.a.
	Aquila Life US Equity Index Fund	0.20% p.a.
	Aquila Life Currency Hedged US Equity Index Fund	0.23% p.a.
	Aquila Life European Equity Index Fund	0.20% p.a.
	Aquila Life Currency Hedged European Equity Index Fund	0.23% p.a.
	Aquila Life Japanese Equity Index Fund	0.20% p.a.
	Aquila Life Currency Hedged Japanese Equity Index Fund	0.23% p.a.
	Aquila Life Pacific Rim Equity Index Fund	0.20% p.a.
	Aquila Life Pacific Rim Currency Hedged Equity Index Fund	0.23% p.a.
	BlackRock LDI	0.10% p.a. until 31 December 2021 and 0.15% p.a. thereafter
	Institutional Sterling Liquidity Fund (ICS)	0.07% p.a.
Newton	Real Return Fund	0.75% p.a.

Hermes	Multi Strategy Credit Fund	0.50% p.a.
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The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

4. Investments and disinvestments

Investments will normally be made so as to move the actual asset allocation more in line with the target asset allocation (excluding LDI assets).

Collateral management on the BlackRock LDI funds

In order to manage the amount of leverage within the funds, BlackRock will inform the Trustees of the amount of any required cash collateral call or payout.

In the event of a cash collateral call (requiring the Trustees to top-up the Scheme's investment in the LDI funds) BlackRock will automatically disinvest from the BlackRock Institutional Sterling Liquidity fund, or from the Aquila Life equity funds (towards the target regional allocation) if the holding in the cash fund is insufficient, unless instructed otherwise by the Trustees.

In the event that cash collateral payouts are made from the LDI funds, BlackRock will automatically pay these amounts directly into the BlackRock Institutional Sterling Liquidity Fund. The Trustees will then decide on a case by case basis whether to invest these amounts or to retain them for benefit payment purposes.

Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially Material Considerations

After receiving training and advice from their investment advisor, Barnett Waddingham, the Trustees believe that Environmental, Social and Governance (“ESG”) factors, including but not limited to climate change, are financially material – that is, they have the potential to impact the value of the Scheme’s investments from time-to-time. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes.

The Trustees have reviewed the approach to ESG of the manager taking into account UN Principles for Responsible Investment scores where appropriate. The Trustees are comfortable that the funds currently invested in by the Scheme are managed in accordance with their views on financially material factors, as set out in this policy. This position is monitored periodically, at least annually. The Trustees have the opportunity to meet the managers and question them on policies. The views set out below will be taken into account when appointing and reviewing managers.

A summary of the Trustees’ views for each asset class in which the Scheme invests is outlined below.

Passive Equities

The Trustees accept that investment managers must invest in line with the specified index and, therefore, may not be able to disinvest if they have concerns relating to ESG. However, the Trustees believe that positive engagement on ESG issues can lead to improved risk-adjusted returns over the Trustees’ intended time horizon for the investment in question. Therefore, the Trustees look to the passive equity manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company. However, engagement activities (including the exercise of rights) should be consistent with, and proportionate to, the rest of the investment process.

Diversified Growth Funds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme’s diversified growth fund managers over the Trustees’ intended time horizon for the investment in question. The investment process for any diversified growth fund manager should take ESG into account when selecting holdings. The Trustees also support engagement activities and, where relevant, the exercise of rights attaching to the investments by the Plan’s diversified growth fund manager. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Multi Asset Credit Funds

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme’s multi asset credit fund holdings over the Trustees’ intended time horizon for the investment in question. The investment process for the manager should take ESG into account when selecting holdings. The Trustees also supports engagement activities, although they appreciate that fixed income assets do not typically provide

voting rights. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Liability Driven Investment

The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's Liability Driven Investment strategy, given its sole purpose is to provide a hedge against the Scheme's exposure to movements in nominal interest rates and inflation.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultants, Barnett Waddingham. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

2. Non-financially material considerations

The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments on the grounds that the investment objectives of the Scheme will take priority over other considerations.

3. The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of

actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers.

4. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager **has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.**

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

