Kimberly-Clark Pension Scheme

Statement of Investment Principles

March 2025

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Statement of Investment Principles

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1 Introduction

The purpose of this document

1.1 This Statement communicates the principles that govern decisions about investments for the Kimberly-Clark Pension Scheme (the Scheme). It complies with the requirements of the Pensions Act 1995 (as amended). In preparing this Statement, the Trustee has obtained advice from the Scheme's Investment Consultants (Isio), and the Scheme Actuary. The Trustee will review this document, in consultation with the Investment Consultant and Scheme Actuary, at least every three years (albeit typically once a year), and immediately after any significant change in investment policy and modify it if deemed appropriate. This will be done in consultation with the Principal Employer (Kimberly-Clark Limited) and having obtained and considered written advice from the Investment Consultant. The ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.2 Before preparing this document, the Trustee has had regard to the requirements of the Pensions Act 1995 concerning diversification and suitability of investments and the control of the investment decision process, and the Trustee will consider these requirements in any review of this document or any change in its investment policy.

1.3 The Trustee has considered the IGG Principles (formerly the Myners Principles) and acknowledges them as a useful guide in determining its investment policies. The Principles are reviewed from time-to-time and any amendments are incorporated into updates of this document.

1.4 In order to provide a fuller understanding of the Scheme's investment decisions, this document also includes details of the context in which those decisions are made, and of the current investment manager arrangements.

2 Investment Policy objectives

2.1 The DB section of the Scheme was closed to new members in 2000, and replaced for new joiners by the DC arrangements (with the DC section subsequently closed to new joiners in 2019).

2.2 The policy objectives for the DB section are:

a To provide growth of the DB section assets that at least meets actuarial projections over the long-term.

b To limit the risk of the assets failing to meet the liabilities over the short and long-term.

c To minimise the long-term costs of the DB section by maximising the return, having regard to objective B.

d To provide liquidity to manage the DB section day-to-day.

2.3 The Trustee's general investment principles for the DC Section and AVCs are as follows:

a To offer suitable funds/lifestyles for members to have sufficient investment choice to satisfy their differing risk appetites and risk profiles.

b To offer an appropriate default investment option for those members who do not feel able to make decisions on how their fund should be invested.

c To offer a range of suitable funds for members to invest in whilst being able to mitigate the range of risks faced.

d To monitor the fund choices to ensure they are consistent with the strategic objectives.

Following The Occupational Pension Schemes (Charges and Governance) Regulations it is possible for self-select funds to also be considered default funds due to previous mapping exercises. The principle when mapping funds is to replicate the choices originally made by the members as closely as possible in order to continue to meet their needs.

3 Investment policies – DB Section

3.1 The strategic asset allocation of the Scheme is driven by the financial characteristics of the Scheme, in particular the Scheme's liabilities and the risk tolerance of the Trustee, in consultation with the Principal Employer.

3.2 The Trustee seeks to achieve the Scheme's objectives through investing in a suitably diversified mix of real and monetary assets or financial instruments that reflects the funding risks to which the Scheme is exposed and which balance investment return against volatility.

3.3 The assets of the Scheme are diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole.

3.4 The Scheme's asset allocation has been set following an asset/liability study, and on subsequent advice from the Investment Consultant.

3.5 The Scheme has adopted a 15% return seeking, 85% liability matching benchmark, split as follows:

Asset class	**%**	**Expected Range**
Equities	**15.0**	***+/-3.0***
Global Equities*	13.5	
Emerging Markets	1.5	
Liability matching assets	**85.0**	***+/-3.0***
UK Corporate bonds	29.0	
Asset-Backed Securities	7.0	
LDI	25.0	
Pensioner buy in	24.0	
Total	100.0	

*c50% developed market overseas equities sterling hedged

3.6 The buy-in provider, Just Retirement Limited, will provide cashflows to meet the benefit payments of a portion of the pensioner membership (however, this does not provide greater security for one group of members over another).

3.7 The liability matching assets contribute to hedging against the sensitivity of the Technical Provisions liabilities to movements in interest rates and inflation expectations. The LDI allows the Scheme to target a specific level of risk. Overall, the liability matching assets have been structured in order to target a percentage of hedging approximately in-line with the funding level on the Technical Provisions basis.

3.8 The Trustee ensures that the majority of the assets are invested in regulated markets and that any allocation to unregulated markets is maintained at a prudent level.

3.9 The Trustee will only consider using, or permit the Investment Managers to use, derivative instruments if they contribute to a reduction of risks or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk). Any such investment will be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

3.10 The Trustee does not borrow, or permit the Investment Managers to borrow, money for the purpose of providing liquidity (unless it is temporary).

Manager structure

3.11 The Trustee considers the use of both passive and active investment management when reviewing the Scheme's strategy. The resultant allocation to active and passive management is formed following consideration of the relative governance requirements, costs and fees associated with both approaches.

3.12 Managers are selected, monitored, and terminated on the basis of a range of factors of which performance is only one. The overall business management of the investment firm, its people and investment processes are the most important. Appropriate advice is taken in all Manager appointments and terminations.

3.13 It is a statutory requirement that, before investing in any manner, trustees must obtain and consider proper advice on whether an investment is satisfactory, in the context of the scheme's statement of investment principles and investment regulations on the suitability of investments.

3.14 Statute requires trustees to determine how often they will obtain advice on whether their existing investments are satisfactory. As advised by Isio the Trustee aims to obtain such advice on an annual basis or more frequently if expectations about the performance of the Scheme or any of the investment mandates change materially.

3.15 The Investment Managers have been set mandate-specific benchmarks which have clear performance targets attached. In order to control the risk of significant underperformance, the active Investment Manager's performance objectives (when/if active management is utilised) include various control limits.

3.16 The Trustee and Investment Managers, who have delegated discretion, exercise their powers in a manner calculated to ensure the security, quality, liquidity and profitability of the Scheme. The Trustee invests the assets in a manner it believes to be appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

Investment manager arrangements

3.17 BlackRock is presently employed to manage the LDI, corporate bond, asset-backed securities, and half the equity assets of the DB section. LGIM is employed to manage the other half of the equity assets with an environmental, social and governance tilt.

3.18 The split of assets will be reviewed annually or more frequently dependent on developments in the Scheme.

Performance objectives

3.19 A set of measurable objectives have been developed for the DB section's investment managers consistent with the achievement of the DB section's longer-term objectives:

BlackRock – LDI, corporate bond, asset-backed securities, and equity

3.20 The LDI and corporate bond mandate is managed against a liability benchmark which is consistent with the duration and inflation-linked characteristics of the Scheme. The benchmark excludes the liabilities in respect of the buy-in. Allowing for this, BlackRock targets a hedging level for the interest rate and inflation risk approximately equal to the funding level on Technical Provisions.

3.21 The corporate bond mandate is also expected to deliver a return above the liability benchmark and is designed to invest in high quality, long-maturity, largely UK investment grade corporate bonds. The portfolio is designed to have a low turnover (and therefore costs) and generate income from the corporate bond interest payments (coupons) to meet benefits.

3.22 The asset-backed securities mandate is expected to deliver a return above cash (SONIA) by investing in high quality (predominantly AAA and AA rated) securitised issuances. The portfolio is designed to be highly liquid to support any cash collateral requirements of the LDI portfolio. Further, the instruments generate income from the interest payments (coupons) to meet benefits.

3.23 The equity mandate targets a return equivalent to the FTSE All-World and is split according to market capitalisation between UK, World ex-UK and Emerging Market equities.

LGIM – ESG equity

3.24 The LGIM equity fund is designed to provide global exposure to equity markets whilst improving ESG and climate metrics versus the MSCI All Country All World Equity Index (ACWI). This is accomplished by excluding companies that derive a sizeable revenue from select thermal coal related activities and at the same time increasing exposure to those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile by re-weighting free-float market cap weights based upon certain ESG metrics. The exposure is currency hedged back to GBP. The Fund's performance target is to track the performance of the MSCI ACWI ex Thermal Coal Adaptive Capped 2x ESG Universal Index - GBP Hedged.

4 Investment Policies – DC Section (including all AVCs)

Policy objectives

4.1 The DC section's objectives are the acquisition of secure assets of appropriate liquidity that will generate income and capital growth which, together with any contributions from members, will provide for each member a fund at retirement with which to purchase a pension annuity, draw down a pension or take a cash lump sum if desired.

4.2 The Trustee recognises that members' investment needs change as they progress towards retirement age. Younger members have a greater need for real growth to attempt to ensure their investment accounts keep pace with inflation and, if possible, salary escalation but are more able to tolerate short term fluctuations in value. Older members require a greater level of consistency in the amount of annual pension that they can achieve with their investment accounts at retirement.

4.3 The Trustee therefore offers a 'lifestyle' approach where members' investments are initially allocated to equities and are progressively switched into a lower allocation to equities, diversified assets, bonds and/or cash near to retirement. Further, the Trustee recognises that members will have different attitudes to risk and therefore offers twelve investment funds and three lifestyle options with varying levels of risk. For the AVC funds, the Scheme offers a number of investment options across a range of diversified asset classes for members to choose from.

4.4 The default investment option for the purposes of auto-enrolment is the Default Lifestyle. However, members are encouraged to make an informed choice in respect of their DC and AVC investments given their specific circumstances.

Policy benchmark

4.5 The Trustee offers members of the DC section a range of funds managed by Legal & General, Columbia Threadneedle and HSBC. The AVC section has a range of funds managed by BlackRock, HSBC, Vanguard, Schroders and Standard Life.

4.6 The Trustee has decided that the majority of the funds offered are to be passively managed. Passive management does not involve making decisions about individual assets, but aims to match the performance of a chosen index, whether it goes up or down. The use of passive management limits the possibility of underperformance and acts as a risk control (see 5.12 below). The inclusion of a Shariah compliant fund allows the Trustee to comply with anti-discrimination legislation and offer a suitable choice to the members. An ethical fund is also included that offers members the choice where they value social impact investing more highly relative to financial factors in how they allocate their assets. Two diversified growth funds (DGFs) are also offered to allow members the option of benefiting from greater asset class diversity and (in the case of one of the DGFs) active management. An active equity fund is also offered for those seeking greater use of active management.

4.7 Up to date characteristics of each fund, including the investment objectives, chosen benchmark index, historical performance and risk are made readily available to members.

4.8 From time to time additional managers may be appointed and funds may be added or deleted as appropriate.

The Trustee's policy is to offer a broad range of funds covering a wide range of asset classes to enable all members to make suitable decisions.

4.9 The Trustee may not borrow money or otherwise leverage the DC or AVC assets.

4.10 The Trustee believes that risk is effectively controlled through the diversification of investments across asset classes, through the lifestyle approach, and through the internal investment controls and processes used by the Investment Managers.

Investment Manager Arrangements

4.11 All funds set out below are applicable to members within the DC Section of the Scheme. AVCs investments are operated through Standard Life but with access to vehicles managed by BlackRock, Vanguard, Schroders and HSBC. AVC members who previously had With Profits policies with Equitable Life were invested in the Utmost Money Market Fund following the transfer to Utmost. Following a review of members' arrangements with Utmost, in 2020 the Trustee agreed to transfer the majority of these member assets and members who had Unit Linked Only (ULO) policies with Standard Life to the Fidelity Master Trust which was finalised in Q1 2021. As part of this, members with Protected Tax-Free Cash (PTFC) and ULO policies were transferred to the DC Scheme to preserve their tax-free entitlement. Members who have both With Profits and Unit Linked policies remain invested with Standard Life and the Trustee continues to monitor the With Profits policies alongside the remaining assets. The Trustee takes advice regarding the suitability of these vehicles from the Investment Consultant.

4.12 The Investment Managers are responsible for taking all day-to-day investment decisions including the acquisition and realisation of investments. The Investment Managers are required to exercise their powers with a view to giving effect to the principles contained in this statement.

DC Section (excluding AVCs)

Lifecycle funds:

Lifecycle phase	Strategic Asset Allocation
Default lifestyle strategy	Growth Phase: Legal & General Blended ESG Global Equity (50% Legal & General Currency Hedged Global Equity Index, 50% Legal & General MSCI ACWI Adaptive Capped ESG Index) At retirement: 40% Legal & General Diversified Fund, 30% Legal & General Future World Annuity Aware, 20% Legal & General Blended ESG Global Equity (10% Legal & General Currency Hedged Global Equity Index, 10% Legal & General MSCI ACWI Adaptive Capped ESG Index), 10% Legal & General Cash Fund
Annuity lifestyle strategy	Growth Phase: Legal & General Blended ESG Global Equity (50% Legal & General Currency Hedged Global Equity Index, 50% Legal & General MSCI ACWI Adaptive Capped ESG Index) At retirement: 75% Legal & Future World Annuity Aware, 25% Legal & General Cash Fund
Lump sum lifestyle strategy	Growth Phase: Legal & General Blended ESG Global Equity (50% Legal & General Currency Hedged Global Equity Index, 50% Legal & General MSCI ACWI Adaptive Capped ESG Index) At retirement: 30% Legal & General Diversified Fund, 70% Legal & General Cash Fund

Self-select funds:

Asset class	Fund	Benchmark	AMC (% pa)
UK Equity	Legal & General UK Equity Index	FTSE All-Share Index	0.15
Global Equity	Legal & General Blended ESG Global Equity (50% Legal & General Currency Hedged Global Equity Index, 50% Legal & General MSCI ACWI Adaptive Capped ESG Index)	Composite blend (50% FTSE All-World Index – GBP Hedged; 50% MSCI ACWI ex Thermal Coal Adaptive Capped 2x ESG Universal Index)	0.11
Ethical Global Equity	Legal & General Ethical Global Equity Index	FTSE 4GOOD Developed Index	0.30
Emerging Market Equity	Legal & General World Emerging Markets Index	FTSE Emerging Markets Index	0.24
Diversified Growth	Legal & General Diversified Fund	FTSE Developed World Index – 50% GBP Hedged	0.18
Corporate Bond	Legal & General AAA-AA-A Corporate Bond All Stocks Index	iBoxx Sterling Non – Gilts (ex-BBB) Index	0.08
Corporate Bond	Legal & General Future World Annuity Aware	Legal & General composite index	0.10
Property	Threadneedle Pensions Property Fund	MSCI / AREF UK Quarterly Property Index	0.75
Religious	HSBC CCF Islamic Global Equity Index	Dow Jones Islamic Titans 100	0.30
Cash	Legal & General Cash	SONIA	0.12

Performance objectives

A set of measurable objectives have been developed for the DC section's Investment Managers consistent with the achievement of the DC section's longer-term objectives:

- Passive funds and cash: to achieve a return which closely matches each fund's benchmark return.
- Columbia Threadneedle: to achieve a total return that is in excess of the fund's benchmark.

AVC investments

Investment funds

The majority of the AVC funds are managed as part of a bundled AVC arrangement by Standard Life ('SL'). The AMC charged to the member includes the cost of administration, as well as the fund management costs. The table below shows the current AVC funds invested in by the members:

Fund	Benchmark	AMC (% pa)
SL Vanguard FTSE UK All-Share Index Pension Fund	FTSE All-Share Index	0.55
SL BlackRock Aquila Connect Cash Pension Fund	SONIA	0.54
SL iShares Over 5 Year Index-Linked Gilt Pension Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	0.54
SL BlackRock Aquila Over 15 Year Gilt Pension Fund	FTSE UK Gilts Over 15 Years Index	0.54
SL HSBC Islamic Global Equity Index Pension Fund	Dow Jones Islamic Titans 100	0.83
Standard Life 30:70 Global Equity Tracker (Vanguard) Pension Fund	70% MSCI World ex UK, 30% FTSE All Share	0.54
Standard Life Sustainable Multi-Asset Pension	Composite benchmark	0.52
Standard Life Corporate Bond Pension Fund	Markit iBoxx GBP Non-Gilts Index	0.55
SL BlackRock Emerging Markets Equity Tracker Pension Fund	FTSE Emerging Index	0.75
SL BlackRock Cash Pension Fund	SONIA	0.66

The following funds are no longer available to new joiners and have been closed to future contributions for all but existing members invested, however there are still historic holdings.

Vehicles	Benchmark	AMC (% pa)
SL With Profits Fund	n/a	n/a

As noted previously, some of the Scheme's With Profits AVC members were invested with Utmost Life & Pensions Limited in the Money Market Fund. Following transition activity that took place over 2020 and 2021, these member assets were transferred to the Fidelity Master Trust.

5 Other Matters

DB Section

Risk

5.1 The Trustee's policy is to take reasonable steps to limit investment risk in a number of areas. Where the DB section holds units in pooled funds, there is no direct influence over the management of the assets (although they are expected to reflect the required policy), but otherwise the following apply unless varied by the Investment Management Agreements:

a Solvency risk and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
- are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment.

b Asset class risk:

- is measured through a qualitative and quantitative assessment of the expected development of the asset allocation policy described in 3.5.
- is managed by diversification of the asset classes as shown in 3.5, and by diversifying the management of the DB section's assets. The Trustee also gives consideration to hedging strategies, through the use of derivatives, as a means of limiting asset class risk.

c **Concentration of cash risk:**

- is measured through a regular assessment of the Scheme's cash positions.
- is managed by limiting the proportions that each Manager's portfolio is invested in cash with any one financial group to 3% (where possible). For the avoidance of doubt, such limits shall not apply to UK Treasury Bills or a high-quality diversified cash fund.

d **Liquidity risk:**

- is measured by the level of cashflow required by the Scheme over a specified period.
- is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cashflow requirements on the investment policy. In addition, Investment Managers are not permitted to invest more than agreed percentages of their portfolios in illiquid investments. Any additional investment in property or other limited liquidity investments are subject to Trustee approval. Corporate bonds can only be purchased if the issue has an approved credit rating, as outlined in the relevant Investment Management Agreement.
- is managed in line with the Pension Regulator's (TPR) published new LDI guidance. BlackRock have been set a target allocation for the LDI, corporate bond, asset-backed securities, and equity mandate which will be rebalanced on an ongoing basis that ensures the cash collateral available within the LDI mandate will be sufficient to withstand a c300bps rise in yields.

e Custodian risk:

- is measured by assessing the creditworthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

- is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate.

f Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

g Corporate Governance risk

- is measured by the level of concentration in individual stocks leading to the risk of an adverse impact of investment values arising from corporate failure.
- is managed by regular reviews of stock concentration and regular discussions with the Investment Managers about sustainability risks.

h Sponsor risk:

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- is managed by assessing the interaction between the Scheme and the sponsor's business.

i **Manager risk:**

- is measured by the expected deviation of the prospective risk and return, as set out in the Managers' objectives, relative to the investment policy.
- is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the Managers' investment process.

j Currency risk:

- is measured by the level of concentration of any one currency leading to the risk of an adverse influence on investment values arising from currency movements is managed through diversification of the Scheme's assets across a range of currencies and through the Scheme's currency hedging arrangements.

DC Section

Risks faced by members

5.2 The Trustee considers that there are a number of different types of investment risks that need to be considered:

a Inadequate long-term returns and lack of diversification risk:

- is measured through an assessment of the expected investment returns from various asset classes.
- is managed by offering funds with a range of positive expected returns. The Trustee offers members a selection of funds which provide exposure to a range of asset classes and ensures that members are not overly exposed to one stock or market. Sufficient investment options are offered to members to diversify their investment portfolio if desired. As members' benefits are directly dependent on the investment returns achieved, it is important that investment vehicles which can be expected to produce adequate real returns over the longer-term are available.

b Deterioration in investment conditions near retirement risk:

- is measured through a qualitative and quantitative assessment of the expected investment risks from various asset classes. For a given amount of money the level of pension secured will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact on the benefits provided.
- is managed by offering a range of funds that will enable members to take the necessary steps to safeguard against this risk (including Lifestyle options which switch members' assets into less volatile investments as they approach retirement).

c Manager risk:

- is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- is managed by offering "index-tracking" as an option so that members are given the opportunity to address the risk of underperformance by the manager against the relevant market. The Trustee also monitors the actual deviation of returns of each fund offering relative to their objectives and factors supporting the managers' investment processes.

d Risk from excessive charges:

- if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of members' accounts will be reduced unnecessarily.
- is managed by the Trustee looking closely at the terms and conditions offered by the Investment Managers and being satisfied that the level of charges will not unnecessarily reduce members' accounts.

e Lack of investment knowledge of the member:

- is managed by providing clear member communication and, within the set of investment options, funds that are designed to adapt automatically to the changing needs of a typical member as they progress through their working life.

f Other risks:

- there are a number of other risks that arise from certain investment activities. The Investment Managers may place controls on such activities and these are set out in the policy documentation appropriate to each fund.

Alignment

5.3 Aligning the Scheme's investments with its objectives

a) The Scheme uses many different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also

ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

b) To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles and the Trustee's policy on sustainable investment on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question. For pooled funds, managers are asked to confirm whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the manager's approach to sustainable investment, and the Trustee's policies.

c) Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. For pooled funds, if a fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager (or pooled fund) will be terminated and replaced.

d) For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

e) The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

f) Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures are therefore only used in a limited number of cases.

g) The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Sustainable investment considerations

5.4 Social, environmental, ethical issues and rights attaching to investments:

a) The Trustee has delegated responsibility for the selection, retention, and realisation of investments to the Investment Managers.

b) Whilst it is the Trustee's preference that all companies should be run in a socially responsible way, they take the view that their primary responsibility is to act in the best financial interests of the members.

c) The Trustee expects its Investment Managers to consider a range of sustainable investment factors in its delegated responsibility of the Scheme's assets, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework.

d) It is the Trustee's policy to give discretion to BlackRock and LGIM to pursue a policy of engagement with its investee companies. The extent to which social, environmental, or ethical considerations are taken into account in the pursuance of this policy is left to the discretion of BlackRock and LGIM. The engagement practices of the Scheme's managers is monitored on an annual basis through sustainability reporting provided by the Scheme's Investment Consultant.

e) The Trustee will engage, via the Scheme's Investment Consultant, with investment managers and/or other relevant persons about relevant matters (including the Scheme's stewardship priorities) at least annually. The Trustee will share any agreed stewardship priorities to ensure alignment in voting and engagement activity.

f) Where an Investment Manager's processes with regard to ESG considerations are deemed insufficient by the Scheme's Investment Consultant, and the Investment Manager does not take steps to improve their approach, the Investment Manager's position in the portfolio may be reviewed.

g) The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers. The Trustee expects managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.

h) The Trustee recognises that when investing in pooled funds, it has no rights attaching to the underlying investments. The Trustee's policy is that the exercising of rights (including voting rights) attaching to investments will be the responsibility of the pooled fund Investment Manager. However, where appropriate, the Trustee will retain responsibility for the rights attaching to pooled fund units, which are exercised by the Trustee in the best financial interests of the Scheme.

i) The Trustee encourages the Scheme's Investment Managers to adopt the voluntary code, the UK Stewardship Code, published by the Financial Reporting Council in July 2010 (updated 2012 and again in 2020) intended to promote shareholder activism. The Trustee will assess the corporate governance policies of the Scheme's managers on a regular basis in light of this Code. As the Trustee recognises the UK Stewardship Code as best practice, the Trustee expects its Investment Managers to explain in cases where they do not adhere to this policy.

Policy on the inclusion of illiquid asset investments within the default strategy of the DC Section

5.5 From 1 October 2023 the Trustees are required to state their policy on investing in illiquid assets for the DC Section's default investment arrangements.

5.6 As defined by the Pensions regulator, illiquid assets are those that cannot easily or quickly be sold or exchanged for cash (e.g. private equity, infrastructure and real estate) and include any such assets held in a collective investment scheme.

5.7 In line with other investment decision making, the Trustees are required by regulations to ensure they have considered all investment opportunities available to achieve best value for the Scheme's members. This includes investment in illiquid assets such as those set out above. The current lifestyle strategies (including the default lifestyle strategy) do not currently invest in illiquid assets, however the Trustees will continue to review any opportunities which could be available to them and the Scheme. Any changes to the Scheme's investment arrangements (including the default lifestyle strategy) will only be made in a way that is consistent with the Trustees' duty to act in the best interests of their members.

Signed:

Date: 04.03.2025