

Morgan Stanley UK Group Pension Plan (the 'Plan') – DB Section

Annual Statement of Investment Principles Implementation Statement – 31 December 2021

Introduction

This statement, written for the benefit of the members of the DB Section of the Morgan Stanley UK Group Pension Plan (the "Plan"), sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed over the 12 months to 31 December 2021.

The SIP is a document drafted by the Trustee in order to help govern the Plan's investment strategy. It details a range of investment-related policies, a summary of which, for the DB Section, is included in the tables from page 11, alongside the relevant actions taken by the Trustee in connection with each of these policies.

As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited ("Mercer"). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Plan Year, which was the SIP dated August 2020.

The first two Sections of this statement sets out the investment objectives of the Plan and changes which have been made to the SIP during the Plan Year, respectively.

The third Section of this statement sets out how, and the extent to which, the policies in the DB Section of the SIP have been followed. The Trustee can confirm that all policies in the SIP have been followed during the Plan Year.

The final section notes the engagement and key voting activities of the underlying investment managers within DB Section of the Plan.

Statement of Investment Principles

INVESTMENT OBJECTIVES OF THE PLAN

The Trustee believes it is important to consider the policies within the SIP in the context of the investment objectives it has set. The investment objectives for the DB Section are as follows:

- To invest the Plan's assets in the best interest of the members, beneficiaries and the Company and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.
- To pay benefits to members from the Plan as they fall due.
- To continue to invest the Plan's assets to minimize the volatility of the Plan's funding position.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Plan.

REVIEW OF THE SIP

During the year to 31 December 2021, no changes were made to the DB Section's investments or to the Plan's SIP. The SIP that is in place was signed in August 2020.

The remainder of this document summarizes the actions taken by the Trustee over the 12 months to 31 December 2021 in connection with the policies set out in the SIP during that period.

ASSESSMENT OF HOW THE POLICIES IN THE SIP HAVE BEEN FOLLOWED FOR THE YEAR TO 31 DECEMBER 2021

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP relating to the DB Section of the Plan.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Plan Year.

Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments.

POLICY

In order to minimise deficit volatility in accordance with the Trustee's investment objective, the Trustee invests the Plan's assets in a range of fixed income and inflation-linked instruments.

The specific instruments held and the split among asset classes has been chosen to closely match the profile of the Plan's liabilities, and may change over time to reflect changes in the liability profile.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee currently invests in:

- Fixed interest and index-linked gilts;
- Interest rate and inflation swaps (backed by money market instruments);
- Corporate bonds and Cash.

The Trustee monitors the progression of the Plan's financial position given the investment objectives set out above, to assess whether the realised outcome is proving consistent with the level of risk expected, on an ad hoc basis, through the quarterly performance report DB Section.

A review of the investment strategy will result from a material change in risk profile or other observations indicating a review is necessary.

The Trustee continues to comply with this policy by investing in the asset classes described above.

Expected return on investments

The investment objectives and expected returns of the individual funds are provided in the IPID.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

A monitoring report is reviewed by the Trustee on a quarterly basis, this includes the performance of all of the Plan's investments. It includes how each fund is delivering against its specific benchmark and target(s).

The progression of the Plan's funding level (funding monitoring) is reviewed in a quarterly funding update.

Risks, including the ways in which risks are to be measured and managed

POLICY

There are various risks to which the DB Section of the Plan is exposed over its anticipated lifetime, and which may be financially material.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The risks below are not exhaustive, but cover the main risks considered by the Trustee to be financially material. A table is provided on Section 5.3 of the SIP outlining the risks, how they are managed and how they are measured.

- Environmental, Social and Governance Risk
- Asset Volatility
- Interest Rate and Inflation Risk
- Counterparty Credit Risk
- Credit Risk
- Liquidity Risk
- Longevity Risk
- Risks relating to the GMP Underpin
- Custody of Assets

The Trustee regularly monitors these risks and the appropriateness of the investments in light of the risks described above. Further details are included in the Plan's SIP.

Investment Mandates

Securing compliance with the legal requirements about choosing investments.

POLICY

As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited ("Mercer"). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

No investments in new funds were implemented over the period covered by this statement.

Realisation of Investments

POLICY

Previously the Trustee's policy was for benefits to be bought out with an insurance company on

retirement. Following a review, currently the Trustee has updated its policy in the short-term, so as to pay benefits to pensioners from the Plan as they fall due. The Trustee and Company will keep this policy under review.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee maintains a separate cash holding in order to pay benefits as and when they fall due, which reduces the need to realise assets at short notice in order to pay those benefits.

Monitoring the Investment Managers

Incentivising the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity.

POLICY

Whilst the Trustee's focus is on long-term performance, they also consider shorter-term performance.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years, and since inception. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis.

If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required.

The monitoring report is reviewed by the Trustee on a quarterly basis, this includes ratings (both general and specific ESG) from the Investment Consultant. Additionally, when implementing a new underlying manager the Trustee considers the ESG rating of the underlying manager.

BlackRock funds remained generally highly rated by the Plan's Investment Consultants during the year. The Trustee is comfortable with the ratings applied by its Investment Consultant and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.

Monitoring portfolio turnover costs

POLICY

Currently the Plan's SIP has no explicit policy as regards monitoring of the DB section's portfolio turnover costs.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee does not explicitly monitor portfolio turnover costs. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

The duration of the arrangements with asset managers

POLICY

Some of the DB Section's funds have set end dates, however, duration is considered as part of regular reviews.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The focus of performance assessments is on longer-term outcomes. The Trustee would not ordinarily expect to terminate a manager's appointment based purely on short-term performance. No changes have been made over the year.

ESG Stewardship and Climate Change

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

POLICY

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring the DB Section's investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee included on Section 3.4 of the SIP a table that sets out its approach to implementation and engagement. The list provided on the table is not exhaustive, but covers the main areas considered by the Trustee.

On an annual basis, it is the Trustee's policy to review the ESG policies of each of the underlying managers in the DB Section along with their engagement records.

As the Plan invests in pooled funds, the Trustee requires its underlying investment managers to engage with the investee companies.

Member views are not taken into account in the selection, retention and realisation of investments, but members have a variety of methods by which they can make views known to the Trustee. This position is reviewed periodically.

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

POLICY

The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

At least biennially, it is the Trustee's policy to meet with the underlying managers of the DB Section. These meetings will challenge engagement activity to ensure the best performance over the medium to long-term.

Where applicable, the Trustee of the Plan has delegated its voting rights to the investment manager. The SIP states "The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".

In the DB Section, the only holdings are Fixed Income funds and as such, there is no voting activity. However, the Trustee expects the underlying manager, BlackRock, to undertake engagement on corporate bond holdings as appropriate. Information

was requested on this, but has not been received. Over the next year, the Trustee will engage further with BlackRock on this.

Voting Activity during the Plan year

Where applicable, the Trustee of the Plan has delegated its voting rights to the investment manager. The SIP states "The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code".

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Morgan Stanley UK Group Pension Plan (the 'Plan') – DC Section

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Introduction

This statement, written for the benefit of the members of the Morgan Stanley UK Group Pension Plan (the "Plan"), sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed over the 12 months to 31 December 2021.

The SIP is a document drafted by the Trustee in order to help govern the Plan's investment strategy. It details a range of investment-related policies, a summary of which, for the DC Section, is included in the tables from page 11, alongside the relevant actions taken by the Trustee in connection with each of these policies.

As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited ("Mercer"). The Trustee believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustee in preparing this Statement has also consulted the sponsoring Company.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Plan Year, which was the SIP dated August 2020.

The first two Sections of this statement sets out the investment objectives of the Plan and changes which have been made to the SIP during the Plan Year, respectively.

The third Section of this statement sets out how, and the extent to which, the policies in the DC Section of the SIP have been followed. The Trustee can confirm that all policies in the SIP have been followed during the Plan Year.

A copy of the SIP is available at
<https://www.morganstanley.com/disclosures/the-morgan-stanley-uk-group-pension-plan>.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Plan.

Statement of Investment Principles

INVESTMENT OBJECTIVES OF THE PLAN

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set. The investment objectives for the DC Section are as follows:

- To make available a range of investment vehicles which serve to adequately meet the varying investment needs and risk tolerances of Plan Members.
- To have the assets managed by investment managers believed to be of high quality, i.e. where there is a suitable level of confidence that the manager/s will achieve their performance objectives.
- To prove a means by which active management can be offered with the flexibility for the Trustee to change managers proactively.
- To monitor the underlying fund range on an ongoing basis and assess whether the Plan's investment options are meeting their objectives.
- To achieve competitive investment management and investment advisor fees.
- To provide a Plan framework which allows the most efficient fund switching possible in order to reduce member's out-of-market risk.

REVIEW OF THE SIP

During the year to 31 December 2020, the Trustee carried out a 'Growth Phase Health Check' review and a revised SIP was signed in August 2020.

During 2021, no changes were made to the Plan's SIP – as such the SIP in place through 2021 was

signed in August 2020. In 2021, an Investment Strategy Review and an ESG Review were undertaken. Following these reviews, the Trustee agreed changes to the fund range which were implemented through Q4 2021 and Q1 2022. The SIP will be reviewed in mid-2022 to reflect the changes in the Plan's investment arrangements.

ASSESSMENT OF HOW THE POLICIES IN THE SIP HAVE BEEN FOLLOWED FOR THE YEAR TO 31 DECEMBER 2021

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP relating to the DC Section of the Plan.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Plan Year.

Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments.

POLICY

The Diversified Default Option is the default investment option for the Plan. It is a form of lifestyle strategy. Lifestyle strategies are designed to meet the objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.

In addition, a range of self-select funds is offered to members within a range of asset classes. It is the policy of the Trustee to offer both actively and passively managed funds depending on the asset.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Growth phase is reviewed at least annually. At the June 2020 meeting, each aspect of the Active Diversified Growth Fund, used in the Growth phase, was reviewed. After the June and July 2020 meetings, which included review of alternative strategies, the Trustee agreed that Nordea 15 Alpha Strategies and Ruffer Total Return International should replace GMO Global Real Return and JP Morgan Life Diversified Alternative Beta in the Active Absolute Return Fund. Between August 2020 and January 2021, the Active Absolute Return Fund switched to 100% Abrdn Global Absolute Return Strategies (GARS) as an interim measure. The implementation of the Nordea and Ruffer funds took place in January 2021.

The Trustee monitors the underlying risks by quarterly investment reviews. The Trustee will formally review the Diversified Default Option at least every three years or immediately following any significant change in investment policy or the Plan's member profile. The last review occurred on September 2021 and encompassed all aspects of the default strategy, in particular, the ongoing appropriateness of the strategy based on member analysis. The conclusions of this review were:

- The Plans are set up to broadly provide a good member outcome for the majority of members, so long as members contribute a sufficient level and the investment returns are in line with or better than the assumptions.
- Drawdown remained a suitable at-retirement target for the Plan.
- A number of alternative glidepaths were considered, but it was agreed to make no changes to the default glidepath.
- It was agreed to not make available an annuity and cash lifestyles, but to make available a self-select fund which aims to track annuity prices.

The continued suitability of the funds in the self-select fund range was assessed quarterly through performance reporting, once as part of an annual ESG review and through manager meetings (discussed later in this statement).

Expected return on investments

The investment objectives and expected returns of the individual funds are provided in the IPID. In designing the Diversified Default Option, the Trustee has explicitly considered the trade-off between risk and expected returns.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

A monitoring report is reviewed by the Trustee on a quarterly basis, this includes the performance of the funds that make up the Diversified Default Option and the self-select range. The monitoring report includes how each fund has performance against its specific benchmark and target(s). Monthly performance reports are also provided to the Trustee.

Risks, including the ways in which risks are to be measured and managed

POLICY

The Trustee has considered risk from a number of perspectives in relation to the DC Section, including the Diversified Default Option.

The Trustee considered both quantitative and qualitative measures as well as how best to manage the various risks facing DC members.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee continues to provide a range of investments which enable members to reflect in their selection of funds the level or risk they wish to take in light of their own individual circumstances. In member facing communications, the Trustee highlights a number of risks that a member may face as a result of investing in any particular funds.

The risks below are not exhaustive, but cover the main risks considered by the Trustee to be financially material. A table is provided on Section 4.2. of the SIP outlining the risks, how they are managed and how they are measured.

- Market Risk
- Interest Rate Risk
- Inflation Risk
- Manager Risk
- Mismatch Risk
- Liquidity Risk
- Concentration Risk
- Sponsor Risk
- Exchange Rate Risk
- Environmental, Social and Governance Risk

The Trustee regularly monitors these risks and the appropriateness of the investment in light of the risks described above.

The Trustee is aware that members have differing time horizons within the Plan and as such, offers a lifestyle option that helps to manage a number of risks for members as they approach retirement.

All of the underlying managers remained generally highly rated by the Plan's Investment Consultants during the year, the exception being the Abrdn Global Absolute Return Strategies Fund which is rated B. Abrdn is currently under review following poor performance (compounded with its B rating).

Besides Abrdn, the Trustee is comfortable with the ratings applied by its Investment Consultant and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.

Investment Mandates

Securing compliance with the legal requirements about choosing investments

POLICY

As required by the legislation, in considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of a suitably qualified investment consultant, Mercer Limited ("Mercer"). The advice received and arrangements implemented are, in the Trustee's opinion consistent with the requirements of Section 36 of the Pensions Act 1995.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

Over the Plan year to 31 December 2021, there were several changes agreed regarding the Self-Select Fund Range and Default Investment Arrangement.

On 22 March 2021, the Trustee agreed to replace the UK and Overseas equity elements of the current Passive Global Equity Fund with the BlackRock ACS World ESG Equity Tracker Fund. Following this decision, on 5 May 2021, the Trustee agreed to reduce the currency hedging to 50% of the BlackRock ACS World ESG Equity Tracker Fund's element of the Passive Global Equity Fund.

On 1 December 2021, the Trustee approved the decision to replace the current BlackRock Institutional Sterling Liquidity Fund with BlackRock LEAF, a cash fund with higher ESG credentials than the BlackRock Institutional Sterling Liquidity Fund. The Trustee also decided to add the Legal and General Investment Management ("LGIM") Pre-Retirement Fund available as a self-select option, white labelled as the 'MS Pre-Annuity Fund'.

The Trustee received written advice from their investment consultant regarding these investment decisions.

Realisation of Investments

POLICY

In general, the Plan's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. The pooled funds in which the Trustee allows members to invest provide the required level of liquidity. Units in the pooled funds in which the Plan invests are believed to be readily realisable.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The funds used by the Plan are white labelled funds, some of which are blended funds, accessed via an Investment Platform and are held through a long-term insurance policy issued by Scottish Widows Limited ("Scottish Widows"). These funds invest in

predominantly daily traded pooled investment funds which hold liquid assets. One investment fund, managed by Ruffer, is dealt monthly, but is blended with two daily dealt investment funds which provide daily liquidity to the blended fund. The investment funds are commingled investment vehicles which are managed by various investment managers. The selection, retention and realisation of assets within the pooled funds are managed by the respective investment managers in line with the mandates of the funds. There were no liquidity issues over the year.

Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

POLICY

The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee reviewed the performance of the Plan's funds quarterly. There was one concern over 2021, relating to the performance of Abrdn GARS. This fund is under review at time of writing.

A change in fund objectives occurred once in 2021 due to a change in benchmark from LIBOR (London Interbank Offered Rate) to SONIA (Sterling Overnight Index Average) for two investment funds used by the Plan, following the discontinuance of LIBOR as a cash benchmark. The Trustee reviewed the continued suitability of affected funds and was comfortable that the differences between LIBOR and SONIA are sufficiently minor that no action was required.

Evaluation of asset managers' performance and remuneration for asset management services

POLICY

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over a variety of time periods. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.

If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee reviewed investment performance at quarterly meetings and informally intra-meeting through monthly performance updates. Whilst the Trustee's focus has been on long-term performance, they also take shorter-term performance into account. There were no performance concerns raised in 2021 with the exception of Abrdn GARS, which is under review at time of writing.

Incentivising the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity

POLICY

The Trustee considers the investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee aims to meet with 1-2 of the underlying investment managers at each quarterly Investment Committee meeting and challenges decisions made including voting history and engagement activity, to try to ensure the best performance over the medium to long term.

In addition, on an annual basis, it is the Trustee's policy to review the ESG policies of each of the underlying managers in the DC Section along with their voting and engagement records.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee's Investment Committee met with 3 of the Plan's managers (plus additional prospective managers) over the year (Wellington, Morgan Stanley, and Baillie Gifford). In each case, the decision was taken to retain those managers.

The Trustee's annual ESG review took place in Q4 2021 and concluded there were no areas of significant concern, as most managers were in the top quartile of the comparable universe; those not in the top quartile are showing improvements in their approach, or are in asset classes where it is harder to demonstrate value at this stage. Voting and engagement records are addressed later in this statement.

Monitoring portfolio turnover costs

POLICY

The Trustee considers the DC Section's portfolio turnover costs as part of the annual value for money assessment.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

Over the year, the Trustee considered the DC Section's portfolio turnover costs as part of the annual Value for Members assessment. While the transaction costs provided appear to be reflective of costs expected of the various assets classes and markets that the Plan invests in, there is not as yet any "industry standard" or universe to compare these to. It is worth noting that transaction costs can be negative, thus contributing positively to performance.

The duration of the arrangements with asset managers

POLICY

All the funds are open-ended. The DC Section's funds have no set end date for the arrangement, however, duration is considered as part of the regular reviews. The DC Section's Fund Range and Default Diversified Option are reviewed on at least a triennial basis. An underlying manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee reviewed the performance of the Plan's funds quarterly. There were no concerns over 2021. However going into the year, there was a temporary short term overweight to Abrdn Global Absolute Return Strategies within the Active Absolute Return fund (effective since August 2020) while new funds (Ruffer and Nordea) were in the process of being added to the Active Absolute Return Fund. This overweight was rebalanced to target allocation of 33.34% in January 2021 when the new funds were available.

ESG Stewardship and Climate Change

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

POLICY

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

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

With regards to selection and retention, the Trustee received advice from its investment consultant in relation to several new funds (and the funds to be replaced). In each case, the Trustee received an assessment from its investment consultant in the form of two ratings. These ratings relate to overall belief in the investment fund to achieve its objectives going forward and assessment of the ESG credentials exhibited by both the fund and the fund manager.

With regards to retention, the Trustee reviews annually the ESG policies of each of the underlying managers in the DC Section along with their adherence to the UK Stewardship Code and carbon footprint (measured by Weighted Average Carbon Intensity).

The latest such review took place in Q4 2021 and concluded there were no areas of significant concern, as most managers were in the top quartile of the comparable universe; those not in the top quartile are showing improvements in their approach, or are in asset classes where it is harder to demonstrate

value at this stage. Around half of the Plan's investment managers are signatories to the UK Stewardship Code, with the remaining managers intending to apply for signatory status.

The Weighted Average Carbon Intensity of the Plan's Passive Global Equity Fund (used in both the default and self-select range) has reduced from c. 160 to c. 129 from September 2020 to June 2021 (primarily as a result of increasing the exposure to ESG tilted equities in January 2021).

The Trustee may incorporate the views of members with respect to the fund range offered. Member views have not explicitly been taken into account in the selection, retention and realisation of investments, although feedback received from members is welcomed and considered by the Trustee.

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

POLICY

The Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Code and UK Stewardship Code.

HOW HAS THIS POLICY BEEN MET OVER THE PLAN YEAR?

The Trustee has delegated their voting rights to the appointed investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. Once appointed, the Trustee gives appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Adherence to the UK Stewardship Code is assessed annually.

The following funds contain an allocation to equities:

- Active Sustainable Equity
- Active Diversified Growth*
- Active Diversified Retirement*
- Active Absolute Return
- Passive UK Equity
- Passive Global Equity
- Passive US Equity
- Passive Europe (ex-UK) Equity
- Passive Japan Equity
- Passive Pacific Rim (ex-Japan) Equity
- Passive Emerging Markets Equity
- Active Global Growth Equity
- Active Global Equity
- Active Emerging Markets Equity
- Passive Global Small Cap Equity
- Aviva Schroders Managed (AVC)
- Standard Life European Equity Pension Fund (AVC)
- Standard Life Far East Equity Pension Fund (AVC)
- Standard Life International Equity Pension Fund (AVC)
- Standard Life Managed Pension Fund (AVC)
- Standard Life North American Equity Pension Fund (AVC)
- Standard Life Stock Exchange Pension Fund (AVC)
- Standard Life UK Equity Pension Fund (AVC)

*Funds are part of the Diversified Default Option.

As the Plan invests in pooled funds, the Trustee requires its underlying investment managers to engage with the investee companies.

Engagement for the DC Section's investment managers are summarised on the next section. Particular focus is placed on the Passive Global Equity Fund, which represents 42.2% of the Plan's assets.

Engagement activity was requested from all AVC providers but has not been received at the completion date of this statement. Voting activity was requested from all AVC providers but only some information was provided by Standard Life and Aviva for the AVC Funds available.

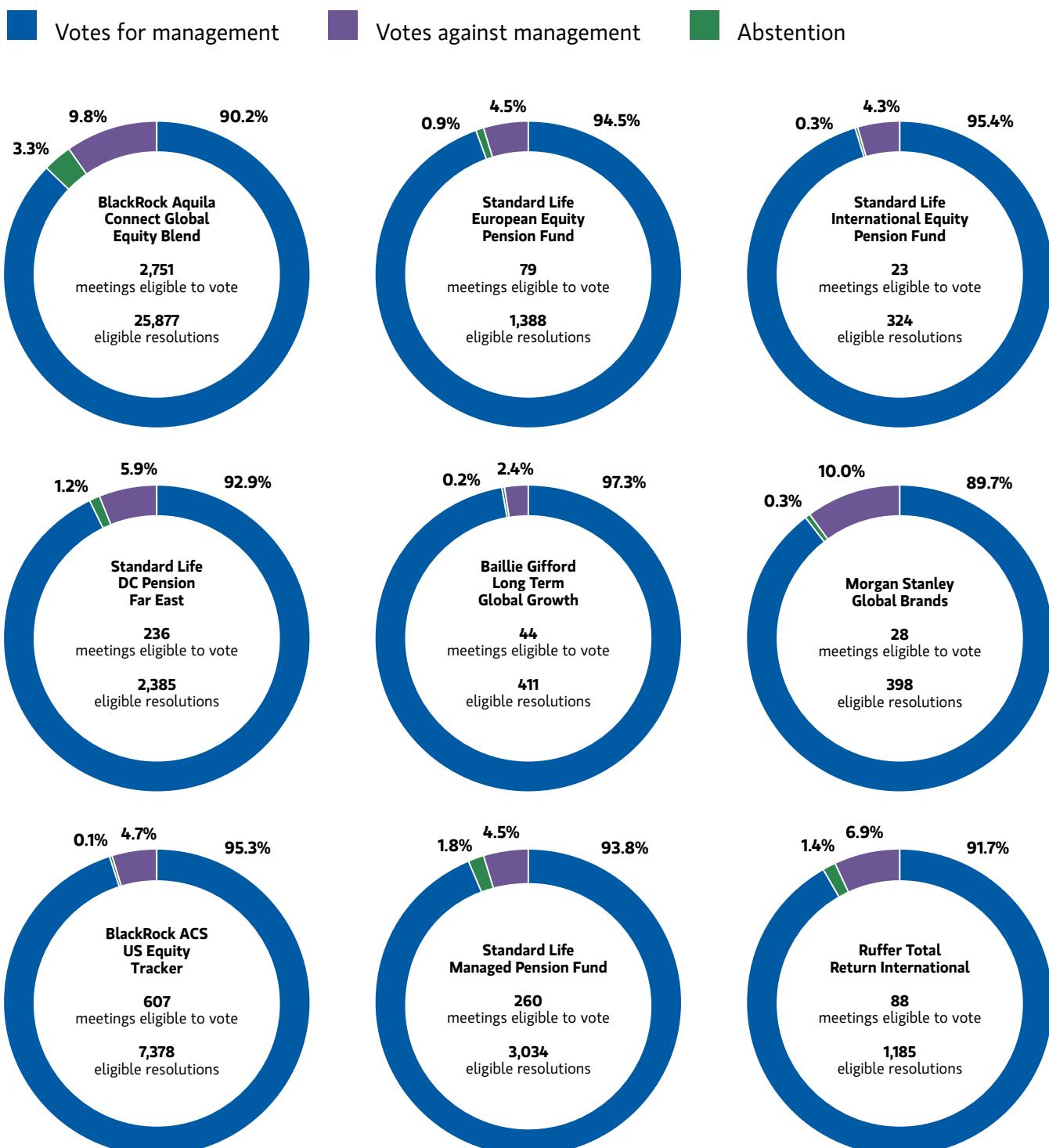
Examples of Engagement Activity by the Plan's Equity Investment Managers

The following are examples of engagement activity undertaken by the Plan's Equity investment managers.

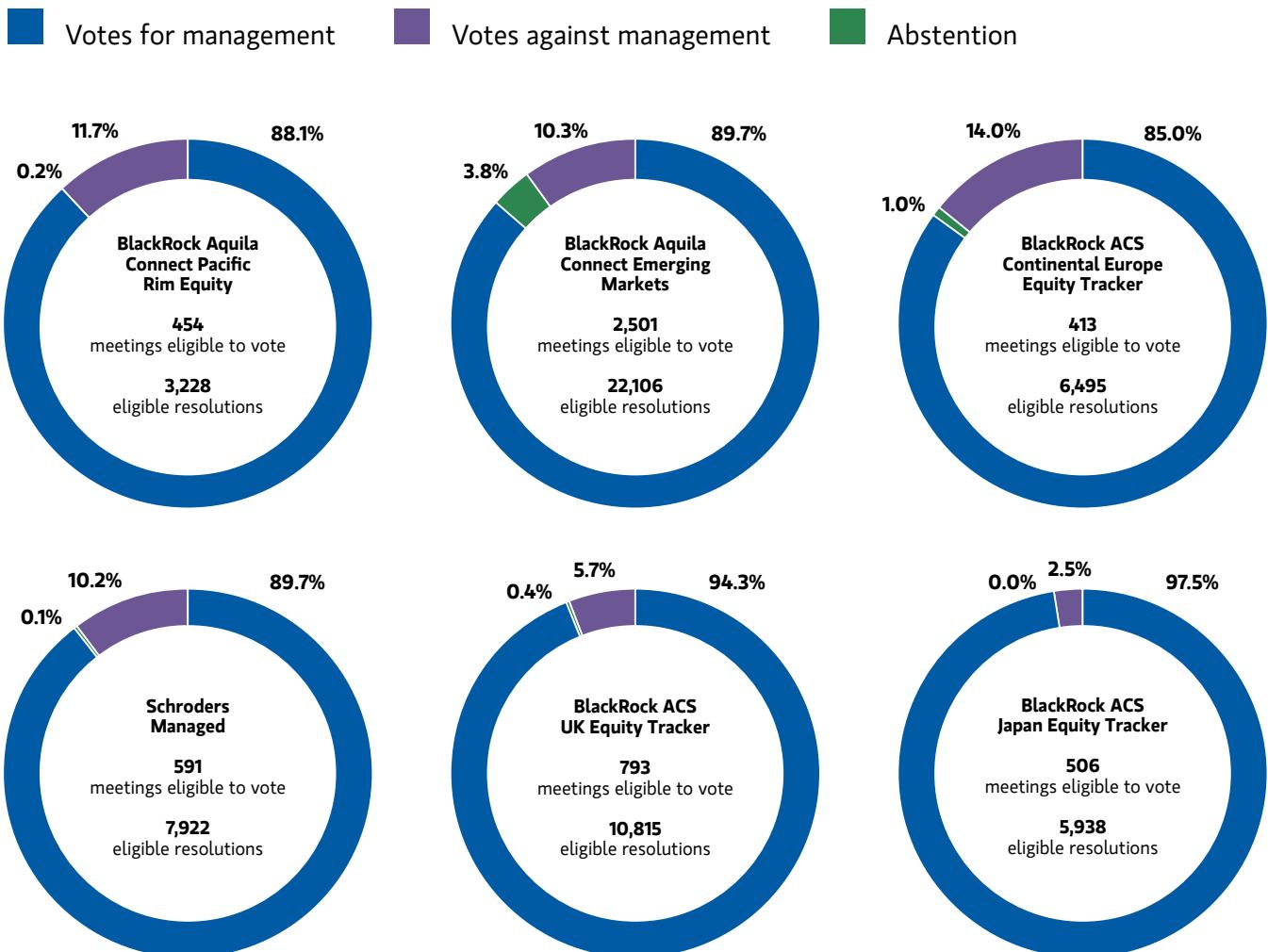
FUND	NUMBER OF ENGAGEMENTS UNDERTAKEN AT A FIRM LEVEL IN THE YEAR	SPLIT BETWEEN E, S AND G OF ENGAGEMENTS	% OF ENGAGEMENTS PERTAINING TO CLIMATE ISSUES	% OF ENGAGEMENTS PERTAINING TO BOARD DIVERSITY	KEY THEMES FOR ENGAGEMENT, AS APPLICABLE
Aquila Connect Global Equity Blend	2,243 company engagements	E = 67%; S = 37%; G = 88%	Climate Risk Management: 49% / Environmental Impact Management: 23%	Board Composition & Effectiveness: 49%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/ Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
Aquila Connect Global Small Cap Equity	937 company engagements	E = 55%; S = 34%; G = 90%	Climate Risk Management: 39% / Environmental Impact Management: 15%	Board Composition & Effectiveness: 52%	
Aquila Connect Emerging Markets	445 company engagements	E = 80%; S = 43%; G = 93%	Climate Risk Management: 64% / Environmental Impact Management: 37%	Board Composition & Effectiveness: 52%	
ACS US Equity Tracker Fund	583 company engagements	E = 78%; S = 47%; G = 80%	Climate Risk Management: 57% / Environmental Impact Management: 33%	Board Composition & Effectiveness: 39%	
Baillie Gifford Long Term Global Growth	47 company engagements	E = 62%; S = 62%; G = 38%	Climate = 23% / Environmental = 43%	Diversity matters = 9%	Environmental, Social, Corporate Governance, AGM or EGM Proposals
Aquila Connect Pacific Rim Equity	208 company engagements	E = 74%; S = 70%; G = 95%	Climate Risk Management: 58% / Environmental Impact Management: 42%	Board Composition & Effectiveness: 65%	Climate Risk Management; Environmental Impact Management; Operational Sustainability; Human Capital Management; Social Risks and Opportunities; Board Composition & Effectiveness; Business Oversight/ Risk Management; Corporate Strategy; Executive Management; Governance Structure; Remuneration.
ACS Japan Equity Tracker	363 company engagements	E = 58%; S = 28%; G = 93%	Climate Risk Management: 52% / Environmental Impact Management: 7%	Board Composition & Effectiveness: 38%	
Aquila Connect European Equity	462 company engagements	E = 71%; S = 18%; G = 77%	Climate Risk Management: 38% / Environmental Impact Management: 5%	Board Composition & Effectiveness: 47%	
Aquila Connect UK Equity	3088 company engagements	E = 68%; S = 35%; G = 86%	Climate Risk Management: 49% / Environmental Impact Management: 21%	Board Composition & Effectiveness: 46%	
Ruffer Total Return	36 company engagements	E = 30.3%; S = 9.1%; G = 60.6%	Climate Issues = 50%	Board Diversity = 63.4%	Environmental and governance – climate change and corporate governance

Voting Activity during the Plan year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Plan. Voting activity has been requested from all managers but at the time of writing this report, not all managers have responded. We will continue to chase the managers to receive this information. Votes "for / against management" assess how active managers are in voting for and against management. Green represents abstention.



Source: Underlying fund managers



Source: Underlying fund managers

Sample of significant votes

Managers have provided examples of significant votes across the funds previously noted as containing equity. It is not possible to disclose all the information received in this statement. Therefore, examples of voting activity to include in this statement were included focusing on areas including climate change/carbon emissions, separation of the role of CEO/Board Chairman and board diversity. The final outcome column below represents the result of the Resolution after all the votings: Passed (✓) or Not-Passed (✗).

FUND	COMPANY	DATE	HOW THE MANAGER VOTED	SUMMARY OF THE RESOLUTION	RATIONALE FOR THE MANAGER VOTE	FINAL OUTCOME
BlackRock Aquila Connect Global Equity Blend	BP Plc	12/05/2021	For	Approve Shareholder Resolution on Climate Change Targets	BlackRock recognize the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.	✗
Baillie Gifford Long Term Global Growth	Netflix	03/06/2021	For	Report on political contributions	Baillie Gifford believe enhanced disclosure on the company's policies and procedures is in shareholders' best interests.	✓
Baillie Gifford Long Term Global Growth	Tesla	07/10/2021	Against	Request additional reporting on Tesla's diversity and inclusion efforts	Baillie Gifford took the decision to oppose this proposal as they believe the company has made great strides in their approach to diversity, equity and inclusion and associated reporting, and continue to be responsive to their feedback.	✓
Morgan Stanley Global Brands Fund	Microsoft Corporation	30/11/2021	For	Report on Gender/Racial Pay Gap	Recommend for because shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives. MSIM is supportive of additional disclosure on this issue.	✗
Morgan Stanley Global Brands Fund	Nike	06/10/2021	For	Report on Human Rights Impact assessment	Recommend for because there is a significant supply chain risk and disclosure could improve on this issue.	✗
Morgan Stanley Global Brands Fund	Abbott Laboratories	23/04/2021	For	Report on Racial Justice	Recommend for as reporting quantitative and comparable diversity statistics would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks. MSIM is supportive of additional disclosure on this issue.	✗
Morgan Stanley Global Brands Fund	Abbott Laboratories	23/04/2021	For	Report on Racial Justice	Recommend for as reporting quantitative and comparable diversity statistics would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks. MSIM is supportive of additional disclosure on this issue.	✗

Source: Underlying fund managers

FUND	COMPANY	DATE	HOW THE MANAGER VOTED	SUMMARY OF THE RESOLUTION	RATIONALE FOR THE MANAGER VOTE	FINAL OUTCOME
Ruffer Total Return International	Royal Dutch Shell	18/05/2021	For	Management resolution relating to the company's climate transition plan	Supportive of the Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made as a result of engagement and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100. In light of the opportunity to vote on the company's transition strategy and the progress made, manager did not see a need to vote in favour of the shareholder proposal filed by the NGO Follow This.	✓
Ruffer Total Return International	American Express	04/05/2021	For	Vote on shareholder resolution requesting annual D&I report	Ruffer supported a shareholder resolution that requires the company to annually publish a report assessing Diversity, Equity, and Inclusion Efforts. Whilst American Express is taking meaningful steps to increase its workforce diversity and promote inclusion, reporting of its diversity statistics has room for improvement. Improvement in Diversity disclosure would benefit shareholders in assessing the company's long-term value and reputational and legal risks.	✓
BlackRock Aquila Connect Pac Rim Equity	AGL Energy Limited	22/09/2021	For	Approve Paris Goals and Targets	Supportive of company's efforts to date on these issues. Proposal support based on nature of the proposal.	✗
BlackRock Aquila Connect Pac Rim Equity	Rio Tinto Limited	06/05/2021	For	Approve Climate-Related Lobbying	We believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	✓
BlackRock ACS US Equity Tracker	Berkshire Hathaway Inc.	01/05/2021	For	Report on Climate-Related Risks and Opportunities	The company does not meet manager's expectations for disclosing a plan for how their business model will be compatible with a low-carbon economy. The company does not meet manager expectations for disclosure of natural capital policies and/or risk.	✗
BlackRock ACS US Equity Tracker	Exxon Mobil Corporation	26/05/2021	For	Report on Corporate Climate Lobbying Aligned with Paris Agreement	BlackRock believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	✓
BlackRock ACS Continental Europe Equity Tracker	VINCI SA	08/04/2021	For	Approve Company's Environmental Transition Plan	None provided	✓
BlackRock ACS UK Equity Tracker	BP Plc	12/05/2021	For	Approve shareholder resolution on climate change targets	BlackRock recognise the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.	✗

Source: Underlying fund managers