

Statement of Investment Principles Morgan Stanley UK Group Pension Plan

1. Introduction

- 1.1. The Trustee of the Morgan Stanley UK Group Pension Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the following legislation:
 - The Pensions Act 1995 and as amended by the Pensions Act 2004,
 - The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and
 - Subsequent legislation.
- 1.2. 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.
- 1.3. The Plan is primarily a Defined Contribution ("DC") arrangement though it also contains liabilities and assets from a previous Final Salary arrangement. The majority of this Statement is relevant to the DC element of the Plan. The policy relating to the Final Salary element is contained in Section 5 of this Statement.
- 1.4. The Trustee's investment responsibilities are governed by the Plan's Trust Deed, and this Statement takes full regard of its provisions. A copy of the Plan's Trust Deed is available for inspection upon request.

2. Governance Structure

- 2.1. Overall investment policy falls into two parts. The strategic management of members' assets is fundamentally the responsibility of the Trustee acting on advice from its investment consultant, Mercer, and is driven by its investment objectives as set out in Section 4 and 5 below.
- 2.2. The remaining elements of policy relate to the day-to-day management of the assets by professional investment managers and is described in the Investment Policy Implementation Document (the "IPID").
- 2.3. In order to assist with the discussion of investment matters, the Trustee has set up an Investment Committee, members of which are a sub-set of the Trustee body. This body has been created in order to ensure that investment matters receive a sufficient degree of attention. A number of powers relating to investments have been delegated to the Investment Committee and these powers are set out in a formal Terms of Reference document. At each Trustee meeting, the Investment Committee is required to formally report back to the Trustee on any decisions taken, or any proposals that it is recommending to the Trustee.
- 2.4. In accordance with the Financial Services and Markets Act 2004, the Trustee will set general investment policy, but responsibility for selection of specific investments is held by the Plan's investment managers. This may include the use of pooled funds managed by an insurance company or companies. Under Section 36 of the Pensions Act, such investments are termed direct investments and are classed as retained investments. It is therefore the policy of the Trustee to obtain appropriate advice regarding the suitability

of such investments on a regular basis. The investment managers shall be authorised under the Financial Services Act and shall provide the skill and expertise necessary to manage the investments of the Plan competently.

2.5. The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

3. Responsible Investment and Corporate Governance

3.1. ESG, Stewardship, and Climate Change

3.1.1. 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 recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

3.1.2. 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.

3.1.3. The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

3.1.4. These policies apply across the range of investment options made available to members including the default investment arrangement (the Diversified Default Option) and the self-select investment fund range.

3.2. Member views

3.2.1. 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. A specialist impact investment fund has been added to the fund range to cater for members who wish to invest their assets accordingly.

3.3. Investment Restrictions

3.3.1. The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC section, it is noted that this is particularly true given that it is Scottish Widows Limited, the Plan's investment platform provider, that has the direct relationship with the third parties offering the funds (and not the Trustee).

3.4. Implementation and Engagement Policy

3.3.1. The below table sets out the Trustee's approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

POLICY STATEMENT	THE TRUSTEE'S POSITION
<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies</p>	<p>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.</p> <p>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.</p> <p>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.</p>

POLICY STATEMENT	THE TRUSTEE'S POSITION
<p>How the arrangement incentivises 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 and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term</p>	<p>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.</p> <p>The Trustee meets 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.</p> <p>In addition, on an annual basis, it is the Trustee's policy to review the ESG policies of each of the underlying managers along with their voting and engagement records.</p>
<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies</p>	<p>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. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.</p> <p>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.</p>
<p>How the trustees monitor portfolio turnover costs incurred by the asset manager.</p>	<p>The Trustee considers portfolio turnover costs as part of the annual value for money assessment</p>
<p>How the trustees define and monitor targeted portfolio turnover or turnover range.</p>	<p>As the Plan invests through pooled funds, the Trustee is unable to target portfolio turnover ranges for funds. However, they will engage with a manager if portfolio turnover is higher than expected.</p>
<p>How the trustees define and monitor the duration of the arrangement with the asset manager.</p>	<p>All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy 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.</p>

4. Defined Contribution (“DC”) Section

4.1. Investment Objectives

4.1.1. The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. It also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances and expected investment time-horizon. The Trustee regards its duty to be to make available a range of investment options sufficient to enable members to tailor, to their own needs, their investment strategy.

4.1.2. The Trustee also recognises that members may not believe themselves qualified to make investment decisions. As such the Trustee makes available a Diversified Default Option. The Diversified Default Option places the emphasis on producing a reasonable level of real return over members' working lifetimes, but with lower volatility than that offered by a pure equity strategy as a result of the more diversified range of assets that the Diversified Default Option invests in. It also encompasses a switch into asset classes which are designed to reduce investment risk in the years approaching retirement.

4.1.3. The following encapsulates the Trustee's objectives:

- 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 provide 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 members' out-of-market risk.

4.1.4. The Trustee regularly reviews the suitability of the options provided and from time to time will change or introduce additional investment options as appropriate.

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

4.2. Risk

4.2.1. The Trustee has considered risk from a number of perspectives in relation to the DC section, including the Diversified Default Option. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Market Risk The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension.	The Trustee provides members with a range of funds, across various asset classes, including actively and passively managed options. Members are able to set their own investment strategy in line with their aims and risk tolerances.	The performance of the available funds is monitored on a quarterly basis.
Interest Rate Risk The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure.	The Trustee provides members with a range of funds, across various asset classes, which will have varying sensitivities to interest rate risk.	The performance of investment funds and market fundamentals, including interest rates, are monitored on a quarterly basis. Together this helps the Trustee understand the effect that changes in interest rates are having on the funds.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Inflation Risk The risk that investments do not keep pace with inflation.	The Trustee provides members with a range of funds, across various asset classes, which have varying exposure to inflation risk. These include inflation index linked funds, as well as equities which are generally viewed to have inflation hedging properties.	Quarterly performance reports consider the long term performance of the funds to help the Trustee assess whether the returns have kept pace with inflation.
Manager Risk The risk that the chosen underlying investment manager underperforms the benchmark against which the manager is assessed.	In particular, the Trustee has considered the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark. The Trustee believes active management skills exist and can be identified but not with complete certainty. As such the Trustee makes available to members both actively managed and passively managed funds.	The Trustee considers the ratings of investment strategies from their DC Investment Consultant during the selection process. It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.
Mismatch Risk The risk that the financial assets a member is invested in as they approach retirement are not suited to the way they will access their retirement benefit.	The Trustee has made available to members a range of funds including share, cash, and bond funds that can be selected by members as they approach retirement. The Diversified Default Option follows a lifestyle strategy which progressively switches to assets the Trustee expects will be less volatile to reduce mismatch risk for members targeting income drawdown.	It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis and identify how the characteristics of certain funds are suitable for different at-retirement options.
Liquidity Risk The risk that assets may not be readily marketable when required.	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 redeemable.	When considering new investment options or reviewing existing options, the Trustee considers the pricing and dealing terms of the underlying funds.
Concentration Risk The risk that a portfolio has an over-allocation to a single asset class, sector, country, or counterparty, thereby having a high exposure to non-systemic risk factors.	The Trustee has made a range of funds available to members, so that they can choose to invest in a well-diversified portfolio. The range of funds enables diversification by asset class (e.g. equity, bonds, cash), by region and includes both passively and actively managed funds, which can help achieve diversification.	It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis. The Trustee also periodically reviews the default investment option and self-select range, and as part of this considers the correlations or similarities between the available funds.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Sponsor Risk The risk that the sponsoring company of the plan will cease financial sponsorship.	The Trustee has considered the risk that the Company may be unwilling or unable to continue to contribute to the Plan in the future.	The Trustee has concluded that this risk is acceptable and that no further action is necessary to mitigate this risk at the current time. The Trustee will review this position in the event of any material changes in the sponsor's circumstances
Exchange Rate Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates	The Trustee has made available a global equity fund that hedges 95% of its developed market currency exposure in order to manage the exchange rate risk associated with overseas investment. The allocations to global small cap equities and emerging market equities are unhedged. This fund is utilised as part of the Active Diversified Growth Fund and Active Diversified Retirement Fund, within the Diversified Default Option.	Monitoring the performance of investment funds on a quarterly basis, including quarterly market reviews considering the movements in foreign currencies relative to pound sterling.
Environmental, Social and Governance Risk ESG factors can have a significant effect on the performance of the investments held by the Plan, e.g. extreme weather events, poor governance.	The Trustee's policy on ESG risks is set out in Section 3 of this Statement.	As set out in Section 3, monitoring is undertaken on a regular basis and is documented at least annually.

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

4.3. Diversified Default Option

4.3.1. 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 conflicting objectives of maximising the value of the member's assets at retirement and protecting the member's accumulated assets in the years approaching retirement.

4.3.2. Typically, a proportion of members will actively choose this option because they feel it is most appropriate for them. However, the vast majority of members do not make an active investment decision and are therefore invested in the Diversified Default Option by default.

4.3.3. The aims of the Diversified Default Option and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

The Diversified Default Option's growth phase invests in equities and other growth-seeking assets by investing in the blended Active Diversified Growth Fund, the holdings of which are set out in the Plan's IPID. These investments are expected to provide equity-like growth over the long term and some protection against inflation erosion. The diversification provided by the component funds is expected to provide some downside protection from equity market falls.

- To provide a strategy that reduces investment risk for members as they approach retirement.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. In view of the above, the Trustee considers the level of risk within the Diversified Default Option in the context of the variability of returns as members approach retirement.

These aims are achieved via automated lifestyle switches over a fifteen-year period prior to age 65. Under this approach, contributions are invested in the Active Diversified Growth Fund until a member reaches the age of 50. From this age onwards, each quarter, a proportion of each member's accumulated growth assets are switched into the Active Diversified Retirement Fund and then the Cash Fund from age 55, linearly, in the manner described by the following table.

	Years to Age 65									
	Above 15	15	14	13	12	11	10	9	8	
Active Diversified Growth Fund	100.0%	98.4%	91.8%	85.3%	78.7%	72.1%	65.6%	59.0%	52.5%	
Active Diversified Retirement Fund	0.0%	1.6%	8.2%	14.8%	21.3%	27.9%	33.8%	37.9%	42.1%	
Cash Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	3.1%	5.5%	

	Years to Age 65							
	7	6	5	4	3	2	1	0
Active Diversified Growth Fund	45.9%	39.3%	32.8%	26.2%	19.7%	13.1%	6.6%	0%
Active Diversified Retirement Fund	46.2%	50.3%	54.4%	58.5%	62.7%	66.8%	70.9%	75%
Cash Fund	7.9%	10.4%	12.8%	15.2%	17.7%	20.1%	22.6%	25%

- **To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan as allowed under the freedom and choice legislation.**

At retirement, 75% of the member's assets will be invested in the Active Diversified Retirement Fund and 25% in the Cash Fund. If a member continues in the Plan past age 65, without converting their accumulated assets into a retirement benefit or leaving the Plan, then the allocation will periodically be rebalanced to the 75/25 split.

4.3.4. Brief descriptions of the objectives of each fund within the Diversified Default Option are given in the IPID.

4.3.5. The Trustee's policies in relation to the Diversified Default Option are detailed below:

- The Diversified Default Option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Diversified Default Option, the Trustee has considered the trade-off between risk and expected returns.
- The Trustee monitors various aspects of the Diversified Default Option as part of their quarterly monitoring reports. This includes monitoring the performance of the investment funds that make up the Diversified Default Option against the managers' return targets, and monitoring the historic variability of returns of the Active Diversified Growth Fund against the MSCI World Index.

- Assets in the Diversified Default Option are invested in the best interests of members and beneficiaries, taking into account the profile of members. In particular, the Trustee has considered high level profiling analysis of the Plan's membership in order to inform decisions regarding the Diversified Default Option. Based on this understanding of the membership, and the availability of post-retirement solutions in the market at the time of the last review, a Diversified Default Option that targets drawdown at retirement is currently considered appropriate.
- Members are supported by clear communications regarding the aims of the Diversified Default Option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investments from the range of self-select funds available. Moreover, members do not have to take their retirement benefits in line with those targeted by the Diversified Default Option; the target benefits are merely used to determine the investment strategy held pre-retirement.
- Assets in the Diversified Default Option are invested in daily traded pooled funds which hold liquid assets. The pooled 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. The funds are accessed via an Investment Platform and are held through a long-term insurance policy issued by Scottish Widows Limited ("Scottish Widows").
- The Investment Managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments. As outlined in Section 3, 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.
- The Trustee recognises that the Diversified Default Option is not a perfect match for any individual member's circumstances. In particular, this option provides little protection for the risk facing members who retire early or at short notice and who have either not yet reached the switching stage or are only partially through the switching process.
- Taking into account the demographics of the Plan's membership and the availability of post-retirement solutions in the market, the Trustee believes that the current Diversified Default Option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.
- The expected and realised net return and risk characteristics of the funds underlying the Diversified Default Option are considered as part of the review process to ensure they are still consistent with the aims and objectives of the Diversified Default Option.

4.4. Additional Range of Funds

- 4.4.1.** In addition, a range of self-select funds is offered to members.
- 4.4.2.** The Trustee believes that the risks identified in Section 4.2 and objectives in Section 4.1 are best met by offering members a range of investment funds from which to choose. Full details of the funds currently available to members of the Plan can be found in the IPID.
- 4.4.3.** A range of asset classes has been made available, including: regional equities, global equities, small capitalisation equities, global bonds, UK bonds, UK property, diversified investments, and cash. A diversified growth fund and a diversified retirement fund, which are blended funds, are also available. It is the policy of the Trustee to offer both actively and passively managed funds depending on the asset class.
- 4.4.4.** The Trustee offers an Active Sustainable Equity Fund option for members. The Trustee is satisfied that this is consistent with its responsibilities to members.

5. Defined Benefit (“DB”) Section

5.1. Background Information

5.1.1. The Plan retains a Final Salary element where the liabilities consist of deferred pensioners and pensioners only. The pensioner liabilities have historically been secured through insurance policies. This policy was reviewed in mid-2019 and pensioner liabilities are now paid from the Plan as they fall due.

5.1.2. In considering the appropriate investments for the Plan the Trustee obtained and considered the written advice from the Investment Consultant whom the Trustee believes to be suitably qualified to provide such advice.

5.2. Investment Objectives

5.2.1. The Trustee is required 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.

5.2.2. The Plan's funding basis is based on assumptions determined in such a way as to estimate the cost of securing the benefits built up in the Plan with an insurance company. The anticipated lifetime of the Plan is the expected time to secure all benefits in this way. As at 31 December 2015, prior to retirement the assets are assumed to grow as follows:

i) Up to 14 years from retirement: the higher of corporate bond yield minus 0.5% or nominal swap yield plus 0.3%;

ii) 15 or more years to retirement: nominal swap yield.

5.2.3. Until mid-2019 the Trustee's policy was for benefits to be bought out with an insurance company on retirement. The Trustee has since 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.

5.2.4. The Trustee has concluded that the investment objective should be to continue to invest the Plan's assets to minimise the volatility of the Plan's funding position.

5.3. Risk Management and Measurement

5.3.1. There are various risks to which the DB Section of the Plan is exposed over its anticipated lifetime, and which may be financially material. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Interest rate and inflation risk	The value of the Plan's liabilities will change in response to changes in interest rates and inflation The Plan hedges this risk with liability hedging instruments such as swaps and gilts. It is acknowledged that it is not possible to completely eliminate this risk due, for example, to an element of uncertainty in the Plan's liabilities.	Changes in the value of the assets and liabilities are assessed on a quarterly basis.
Asset volatility	Investment in asset classes such as equities gives rise to volatility in the value of the assets The Plan invests in asset classes which are expected to closely match the Plan's liabilities, as far as possible, so that this risk is significantly reduced.	Changes in the value of the assets and liabilities are assessed on a quarterly basis.

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED
Counterparty credit risk		
The liability hedge uses some interest rate and inflation swaps to hedge the Plan's interest rate and inflation risks. If the counterparties to these contracts default, the Plan may experience losses	The Trustee has reviewed the counterparty risk management processes of the appointed swap execution manager, and is satisfied that this risk is substantially mitigated. In particular, the use of swaps is collateralised, the credit quality of the counterparties is kept under review, and there is some diversification of swap counterparty exposure.	
Credit risk		
The Plan invests in corporate bonds and money market instruments such as Floating Rate Notes. Any defaults or downgrades of these instruments may result in losses.	This risk is partially mitigated by investment in a range of different credit instruments (via pooled funds). The Trustee is satisfied that the remaining risks are acceptable.	The Investment Committee reviews the performance of the corporate bond assets on a quarterly basis.
Liquidity risk		
The liquidity of investments may change over time, and this may have an impact on the expected transaction costs	The Trustee has reviewed the likely cash requirements of the Plan, and is satisfied that the investment arrangements provide sufficient liquidity. In addition, the Trustee explicitly considers transaction costs before any major restructuring of the Plan's assets.	The Investment Committee reviews the liquidity requirements as part of its triennial strategy review, and more regularly if deemed appropriate.
Longevity risk		
Longevity experience may differ from expectations, and that expectations may change over time.	The Trustee reviews the longevity assumption as part of the liability valuation every three years. Longevity risk is not currently hedged.	The Trustee considers sensitivity analysis of different mortality experience as part of the triennial valuation, and is carrying out postcode analysis as part of the 2018 valuation.
Risks relating to the GMP underpin		
The Plan has an obligation to provide additional defined benefits for some DC members if the value of each member's DC assets are insufficient to secure a minimum level of benefits at retirement.	The Trustee recognises that the Plan is exposed, to a certain extent, to the risks arising from these members' underlying assets. The Trustee recognises that there are limited options available to mitigate this risk, but monitors the situation on a regular basis.	The Investment Committee reviews this risk as part of its triennial strategy review, and more regularly if deemed appropriate.
Custody of assets		
The risk relating to the safekeeping of the Plan's assets.	Given that the Plan invests in pooled funds, the safekeeping of the underlying assets is undertaken by parties selected by the fiduciaries of the pooled funds.	

RISK	HOW IT IS MANAGED	HOW IT IS MEASURED	
Environmental, Social and Governance Risk	ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.	The Trustee's policy on ESG risks is set out in Section 3 of this Statement.	The Trustee reviews its investment managers' policies and actions in relation to this on an annual basis.

5.4. Investment Strategy

- 5.4.1. 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. Specifically, the Trustee may invest in:
 - Fixed interest and index-linked gilts.
 - Interest rate and inflation swaps (backed by money market instruments).
 - Corporate bonds.
- 5.4.2. The specific instruments held and the split between the above 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.
- 5.4.3. 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.
- 5.4.4. 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.
- 5.4.5. A review of the investment strategy will result from observations that indicate that the risk tolerance has been breached.

6. Both Sections

- 6.1. Day-to-Day Management of the Assets
 - 6.1.1. Additional Assets (in DB section)
 - Additional Voluntary Contributions ("AVC")
 - AVCs can be invested in any of the DC fund options described in Section 2 of the IPID.
 - There are also some additional assets in respect of AVCs held in With Profits and Unit-Linked funds with Standard Life and Aviva (previously Friends Life). However, these options are only open to existing contributors to these funds.
 - Cash Balances
 - The Trustee retains small working cash balances in a conglomerate bank account administered by Capita HR & Payroll Services.
 - DC Unallocated Reserves
 - Historically non-vesting Company contributions, arising as a result of Plan members who left the DC section of the Plan with short service, have been treated as part of the DB section's assets. The unallocated reserves are used by the Firm to fund the DB Section of the Plan.
- 6.2. Realisation of Investments
 - 6.2.1. In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.
- 6.3. Monitoring the Investment Managers
 - 6.3.1. The Trustee monitors the performance of the investments on a quarterly basis. Mercer is retained as the Investment Consultant to advise the Trustee on relevant investment issues.
 - 6.3.2. The Trustee meets with the managers as and when necessary to discuss performance activity and other issues as required.

6.4. Investment Manager Fees

6.4.1. Details of the Investment Manager fees can be found in the IPID.

6.5. Investment Consulting Fees

6.5.1. Mercer's investment consulting fees are either based on fixed quotes for particular projects or, more normally, are on a fixed cost basis. This approach has proved satisfactory in the past. In addition, a separate fee is charged for the Mercer Workplace Savings ("MWS") service, which offers operational governance and investment services, and through which the Scottish Widows investment platform is accessed. The fee paid for the MWS services is partly charged to members as a basis point fee based on assets under management, and is partly a fixed fee paid by the Company.

6.5.2. Mercer provides advice to the Trustee but does not have responsibility for decision making in any area. The role encompasses, but is not limited to, the following:

- Assistance in helping the Trustee to formulate investment objectives
- Advice on investment strategy
- Assistance in selecting and monitoring of investment managers.

7. Compliance with this Statement

7.1. The Trustee will monitor compliance with this Statement annually.

8. Review of this Statement

8.1. The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which it judges to have a bearing on the stated Investment Policy.

8.2. This review will occur at least every three years and without delay after any significant change in investment policy. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Signed _____

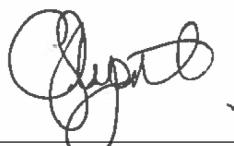


For and on behalf of the Trustee of
The Morgan Stanley UK Group Pension Plan

Date _____

May 2020

Signed _____



For and on behalf of the Trustee of
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