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**Schroders Retirement Benefits Scheme**

**Statement of Investment Principles**

## 1. Introduction

This Statement of Investment Principles for the Schroders Retirement Benefits Scheme has been prepared by the Trustee, Schroder Pension Trustee Limited, in accordance with the Pensions Act 1995 (as amended by the Pensions Act 2004) and the Occupational Pension Scheme (Investment) Regulations 2005 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

In preparing this Statement the Trustee has taken appropriate advice from its Defined Benefit Section Investment Adviser ("DB Investment Adviser") and Defined Contribution Section Investment Adviser ("DC Investment Adviser"). The Trustee has appointed an Investment Committee which is responsible for reviewing the management of the investments in the Defined Benefit Section and overseeing the performance of the investment managers of the Defined Contribution assets. The Trustee has delegated the management of the Scheme's Defined Benefit Section assets to Schroder Investment Management Limited ("the DB Investment Manager"). Members of the Scheme's Defined Contribution Section and members who pay Additional Voluntary Contributions have access to a range of funds, including some managed by Schroder Investment Management Limited.

The Trustee has consulted with Schroders plc, the Principal Employer.

For the purposes of this document, when referring to the liabilities this is with reference to the Defined Benefit Section liabilities on either a "technical provisions" basis (as required by the Pensions Act 2004) or a "gilts+0.25% p.a." basis as calculated by the Scheme Actuary from time to time. To clarify, references to the liability benchmark is with reference to the Defined Benefit Section liabilities on a "gilts + 0.25% p.a." basis.

**Part A**

**Defined Benefit Section: objectives and implementation**

## 2. Investment objective

The Trustee's objective is to meet benefit obligations in full. The Trustee's investment objective is to maintain stability relative to the funding ratio (being the value of the Scheme's assets expressed as a percentage of its liabilities) whilst at the same time seeking to achieve better returns over time than those assumed by the Scheme Actuary.

## 3. Investment Strategy

The Trustee believes that, over the long term, investment in growth assets will generate higher returns than investment in bonds, but has noted the higher level of risk inherent in the former, relative to the Scheme's liabilities, over shorter periods. For this reason, the Scheme's assets have been split into a Liability Matching Portfolio, a Liquid Growth Portfolio and an Alternative Credit Portfolio (collectively "the Portfolios"), as described in Schedule 1, with the Portfolios being managed with performance objectives linked to the Scheme's on-going liabilities. There is also a very small historic Illiquid Growth Portfolio which is in run-off.

The proportion of the assets invested in the Portfolios will alter over time dependent on the funding ratio, changes to the liability estimates, the risk preferences of the Trustee after consultation with the Principal Employer, and the valuation of markets.

## 4. Investments to be held and balance between investments

The Trustee requires that the Scheme's assets should be adequately diversified between different asset classes to limit the impact of any single risk.

## 5. Expected return on investments

The Trustee has agreed that the Scheme's investment performance will be assessed against the funding ratio and the volatility of the funding ratio. Accordingly, the DB Investment Manager's investment objective is to aim to ensure the Trustee achieves its goal of meeting the Scheme's liabilities. To this end the DB Investment Manager will seek to achieve returns as follows:

- Manage the Liability Matching Portfolio with the aim of broadly matching the Liability Benchmark. The Liability Benchmark is a series of cash flows provided by the Scheme Actuary that represent the Scheme's benefit obligations.
- Manage the Liquid Growth Portfolio with the aim of outperforming the respective market-based benchmarks, as reviewed and agreed with the Investment Committee.
- Manage the Alternative Credit Portfolio with the aim of generating broadly predictable cashflows through investment in public and private debt instruments and fulfilling the respective Investment Objectives, as reviewed and agreed with the Investment Committee; and
- Manage the Illiquid Growth Portfolio as a run-off strategy over the remaining life of the assets within the portfolio.

## 6. Risk

The Trustee and its advisers have identified a number of risks associated with the investment process and strategy:

| **Type of risk** | **What is it?** | **How is it managed?** |
|---|---|---|
| Mismatching risk | The risk of a significant difference in the sensitivities of assets and liabilities. | The Trustee and its advisers set the investment strategy to manage this risk. |
| Cash flow risk | The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities. | The Trustee manages the Scheme's cash flows taking into account the timing of future payments in order to mitigate the probability that this occurs. |
| Manager risk | The failure by the DB Investment Manager to achieve the rate of investment return assumed by the Trustee | The performance of the DB Investment Manager is monitored on an ongoing basis with appropriate action taken as required. |
| Concentration risk | The failure to spread investment risk. | The Trustee mitigates this risk by adopting a highly diversified investment strategy. |

| | | |
|---|---|---|
| Covenant risk | The possibility of failure of the Scheme's sponsoring employer. | The Trustee monitors the financial strength of the employer on a six monthly basis. |
| Climate Risk | A systemic risk that may materially affect the financial performance of investments. | From 2023, the Trustee will produce an annual Climate Change-related Disclosures Report in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.<br><br>The Trustee requests the Scheme's investment managers to provide portfolio carbon risk metrics consistent with the regulations and the metrics agreed by the Trustee. The Trustee uses this information to consider the climate change related risks and opportunities on an annual basis. |
| Operational risk | The risk of fraud, poor advice or acts of negligence. | The Trustee has sought to minimise this risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that appropriate compensation clauses are included in contracts for professional services received. |
| Collateral risk | The risk of a shortfall of eligible collateral assets to meet daily collateral requirements. | The Trustee holds a substantial portion of the portfolio in eligible collateral assets and regularly reviews the position. The DB Investment Manager manages day to day collateral transfers. |
| Counterparty risk | The risk of counterparty failure and consequential loss of stock or money. | The DB Investment Manager monitors counterparties on the Trustee's behalf as part of its internal control systems. |

## 7. Realisation of investments

The Trustee's policy is to ensure that the investment assets held are sufficiently marketable to enable it to meet its obligations to provide benefits as they fall due, together with a margin for unexpected cash requirements, so that the realisation of assets will not disrupt the Scheme's overall investment policy.

## 8. Investment management arrangements

*Delegation of fund management*

The Trustee has entered into an Investment Management Agreement dated 8 October 2015, as amended, with the DB Investment Manager, who is authorised and regulated by the Financial Conduct Authority in the conduct of its investment business.

The Trustee delegates the day to day management of the Defined Benefit Section's assets to the DB Investment Manager. The Trustee has taken steps to satisfy itself that the DB Investment Manager has the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

*Aligning manager appointments with investment strategy*

The Trustee regularly reviews the continuing suitability of the Defined Benefit Section's investments, including the appointed manager. The Trustee seeks a long-term, ongoing partnership with the DB Investment Manager to incentivise medium to long-term financial performance. The Trustee does not set duration expectations for this partnership but monitors its suitability on an ongoing basis.

*Evaluating investment manager performance*

To incentivise medium to long-term financial performance, the Trustee assesses the DB Investment Manager's performance over various periods including 3 year, 5 year and since inception of the mandate. It biases its review of ongoing suitability of the investment manager on the assessment of the forward looking return expectations for each mandate and the level of expected return required to support the overall investment objectives.

To incentivise the medium to long-term non-financial performance of its investments, the Trustee monitors the stewardship and engagement activities of its DB Investment Manager on an annual basis. The Trustee expects its DB Investment Manager to engage directly with the debt or equity issuers to improve the issuer's performance on a medium to long-term basis. The quality of the DB Investment Manager's approach forms part of the assessment of its ongoing suitability.

The Trustee also requires the DB Investment Manager to conform to the Scheme's Statement of Investment Principles. It formally confirms their compliance annually.

*Portfolio turnover costs*

The Trustee reviews the turnover and ongoing investment costs on an annual basis using the industry standard templates and definitions developed by the Cost Transparency Initiative (CTI).  Based on the guidance from its DB Investment Adviser, each portfolio has an expected investment turnover range. Deviations from that range are reviewed with the DB Investment Manager.

*Custody and Safekeeping*

The Trustee has appointed JPMorgan as the custodian of the Defined Benefit Section assets to provide safekeeping for these assets and perform associated administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

## Part B

## Defined Contribution Section (including AVCs): objectives and implementation

### 9. Investment objective

The Trustee's objective is to provide an appropriate range of funds that are suitable for meeting members' investment needs.

### 10. Investment strategy

The Trustee seeks to achieve its objective by offering the funds set out in Schedule 2. Having considered the types of assets available and styles of management, the range of funds is intended to provide members with access to all main asset classes and, where possible, a choice of active or passive management.

Contributions for members who do not make an investment selection are allocated to a Default. See section 12 and Schedule 2 of this Statement for further details.

The Trustee monitors the performance of the funds on a quarterly basis and reviews the range of investment options regularly with advice from the DC Investment Adviser. If, having considered advice from the DC Investment Adviser, the Trustee believes that any of the funds are no longer appropriate, the Trustee's policy is to withdraw the assets from the fund (or funds) deemed to be unsuitable and to reallocate those assets to an alternative fund (or funds).

## 11. Risk

The Trustee recognises that there are a number of investment risks facing members of the Scheme, which are summarised in the table below, and has taken these into consideration when determining the range of funds to offer to members.

The Trustee notes that the selection, retention and realisation of assets within the pooled funds is delegated to the respective investment managers in line with the mandates of the funds.

| Type of risk | What is it? | How is it managed? |
|---|---|---|
| Communication risk | Members do not dequate information to understand their investment options and/or the estimated fund value on retirement. | Members have online access to fund information, values and performance and are able to model projected retirement benefits. |
| Manager risk | The failure by the fund managers to meet their investment and performance objectives. | The performance of the fund managers is monitored on an ongoing basis with appropriate action taken as required. |
| Lack of diversification | The failure to offer a spread of investment choice for the membership | The range of funds provides members with access to all main asset classes and is reviewed regularly with advice from the Investment Advisers. |
| Decumulation/De-risking strategy | The risks are:<br>- Members in the default do not communicate their planned retirement age, if different to the Scheme's Normal Retirement Age, so that de-risking is not at the right time for individuals.<br>- Members do not plan for their retirement and identify their preferred option and investment strategy. | These risks are mitigated by regular communication reminding members how the default is structured, and that it assumes retirement at the Scheme's Normal Retirement Age of 60.<br><br>Members who are not invested in the default are regularly reminded to review their investment options. |
| Climate Risk | A systemic risk that may materially affect the financial performance of investments. | From 2023, the Trustee will produce an annual Climate Change-related Disclosures Report in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.<br><br>The Trustee requests the Scheme's investment managers to provide portfolio carbon risk metrics consistent |

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| | | with the regulations and the metrics agreed by the Trustee. The Trustee uses this information to consider the climate change related risks and opportunities on an annual basis. |
| Liquidity Risk | The pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity | The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Phoenix. Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels. |
| Operational risk | The risk of fraud, poor advice or acts of negligence. | The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that appropriate compensation clauses are included in contracts for professional services received. |

## 12. Default

Members are able to select any one or more funds from the range available but the Trustee has in place a Default investment strategy ("Default") for those members who do not wish to make their own investment selections. The Trustee believes that the Default is appropriate for the majority of members but that does not necessarily mean that it is the most suitable option for all. The Default is a lifestyle strategy and further details of the structure and underlying funds are shown in Schedule 2.

The Trustee believes that the Default should provide capital growth with some downside and inflation protection. On this basis, the Default aims to grow a member's pension savings while they are a very long way from retirement by investing predominantly in equities, alongside an allocation to a diversified growth fund. As the member moves between the ages of 40 and 50 the Default will allocate member savings away from equities and fully into the diversified growth fund.

As members approach retirement, the Trustee believes that investment losses will have a greater impact on member outcomes. On this basis, the Trustee has structured the Default to further reduce investment risk as the member approaches retirement; in this context, risk is considered to be the volatility of asset values. From age 53 onwards, the Default provides protection by gradually switching a proportion of savings into cash. The allocation at retirement is expected to provide an element of capital preservation while providing some growth potential for members wishing to access their savings flexibly and sufficient liquidity for withdrawal of a tax-free cash lump sum.

Typically, a proportion of members will actively choose the Default because they feel it is most appropriate for them. However, a significant number of the Scheme's members do not make an active investment decision and are invested in the Default.

The Default manages investment and other 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 Default, the Trustee has explicitly considered the trade-off between risk and expected returns. The list in the table below is not exhaustive but covers the main risks that have been considered by the Trustee to be financially material in relation to the lifestyle strategy used within the Default. The risks in the table in Section 11 also apply to the Default. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

<table>
<tr><th>Type of risk</th><th>What is it?</th><th>How is it managed?</th></tr>
<tr><td>Inflation Risk</td><td>The investment return over members' working lives will not keep pace with inflation and does not, therefore, secure adequate benefits at retirement</td><td rowspan="4">The strategy for the Default is set with the intention of diversifying these risks to reach a level of risk deemed appropriate. This is set with advice from the Investment Adviser.<br><br>Within active funds, management of many of these market risks is delegated to the investment manager.</td></tr>
<tr><td>Currency Risk</td><td>Investment in overseas markets will be affected by changes in exchange rates leading to lower returns in pound sterling terms (e.g. due to appreciation of pound sterling relative to overseas currencies)</td></tr>
<tr><td>Credit Risk</td><td>The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due</td></tr>
<tr><td>Equity, Property and Other Price Risk</td><td>Relative market movements lead to substantial reduction in the value of members' accumulated savings, particularly in the years just prior to retirement</td></tr>
<tr><td>Underperformance of Expectations</td><td>The investment vehicles in which monies are invested underperforms the expectation of the Trustee</td><td>The Trustee seeks advice from their Investment Advisers on the suitability of investment vehicles and aim to invest in funds with strategies that are highly rated by their Investment Adviser, based on forward-looking expectations of meeting objectives.</td></tr>
<tr><td>Liquidity Risk</td><td>The pooled funds, through which the Trustee allows members to invest, do not provide the required level of liquidity</td><td>The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Phoenix. Investment managers are expected to manage the liquidity of assets in the underlying strategies and keep exposures to any illiquid assets to prudent levels.</td></tr>
<tr><td>Inappropriate investment choice</td><td>The investment profile of the Default is unsuitable for the requirements of some members</td><td>The Default is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. As part of the triennial default strategy review, the Trustee ensures the Default destination remains appropriate by considering the membership profile, market trends and how members have previously accessed their pension savings. The Trustee provides a range of self-select options that span a range of different asset classes and risk characteristics. The Trustee also seeks to ensure that the objectives of the Default are clearly</td></tr>
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| | | communicated to members. |
| **Environmental, Social and Corporate Governance Risk** | The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Plan's assets. | The management of ESG related risks exercised by the underlying investment managers.<br><br>Section 16 details the Trustee's ESG and corporate governance statement. |

The Trustee's policies in relation to the Default are detailed below:

- The Default is designed to operate in the best interests of members, taking into account the total membership profile of the Scheme.
- If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date.
- Assets in the Default are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- The majority of the Scheme's assets are invested in regulated products that trade mainly on regulated markets. Assets in the Default are invested in daily traded pooled funds managed by various investment managers which have all been appointed by the Trustee. The Trustee has considered these manager and mandate appointments noting that the selection, retention and realisation of assets within the pooled funds are delegated to the respective investment managers in line with the mandates of the funds.
- Likewise, the Trustee also considered the managers' policies relating to social, environmental or ethical considerations on appointment and will receive ongoing reports from the manager on the implementation of these policies. However, given that these are pooled funds, the investment managers will have full discretion (within the constraints of their mandates) on how social, environmental or ethical considerations are implemented in the selection, retention and realisation of investments. Further information on the actions the Trustee takes with regards to investing responsibly can be found in Section 16.

Taking account of the demographic of the Scheme's membership, the Trustee believes that the Default is appropriate but will continue to review this over time (at least triennially), or following any significant changes to the Scheme's demographic.

## 13. Additional Defaults

There may be situations where the Trustee seeks to close funds for various reasons or where funds are forced to close on either a permanent or temporary basis due to circumstances outside of the Trustee's control. In such situations, the Trustee will select suitable replacement funds based on all relevant factors for the closure.

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified that the investment options selected as suitable replacement funds are to be treated as 'default arrangements' (as defined by these regulations) in addition to the current default investment option (as detailed in Section 12). These have been identified as 'default arrangements' as member contributions have been automatically directed to replacement funds without members having instructed the Trustee where their savings and future contributions are to be invested.

The performance of these funds are monitored quarterly, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

In March 2020, contributions from the Aviva Pooled Pension Property fund were redirected to the LGIM Cash fund, following a dealing suspension implemented by the investment manager. Therefore, the LGIM Cash fund is considered an additional default.

## 14. Realisation of investments

The Defined Contribution Section assets are held in pooled funds. The Trustee expects the appointed fund managers to determine whether or not to sell particular investments, and which investments to sell, to raise cash as and when needed for meeting requirements notified to the managers by the Trustee or the Scheme Administrator. Requirements to buy and sell units in each pooled fund will be notified to the managers by the Trustee or Scheme Administrator, generally in response to requests from individual members.

## 15. Investment management arrangements

*Delegation of fund management*

Access to the Defined Contribution Section pooled funds is via a platform provided by Phoenix Wealth. The Trustee determines the funds to be offered but the management of these funds is delegated in full to the respective fund managers.

*Aligning manager appointments with investment strategy*

The Trustee looks to its DC Investment Adviser for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the DC Investment Adviser's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The DC Investment Adviser's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

For passively managed mandates, or those where outperformance is not the primary goal, the Trustee will seek guidance from the DC Investment Adviser in relation to their forward looking assessment of the manager's ability to achieve the stated mandate objectives.

As the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then they will consider replacing the manager.

An investment manager's appointment may also be terminated if the Trustee's strategic investment objectives change or if the investment objective for a particular manager's fund changes.

*Evaluating investment manager performance*

The Trustee receives performance reports from their DC Investment Adviser on a quarterly basis, which present performance information over 3 months, 1 year and 3 years. The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a gross of fees basis. The Trustee's focus is on long term performance but will put a manager 'on watch' if there are short term performance concerns. A manager's appointment may also be reviewed for the reasons stated in the section above.

Some appointments are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance). As part of the annual Value for Members ("VfM") assessment, the Trustee reviews the investment manager fees of the funds held by the Defined Contribution Section.

*Portfolio turnover costs*

The Trustee receives some Markets in Financial Instruments Directive (MiFID II) reporting from their investment managers but does not currently analyse the information. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover costs. This may be assessed by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or where relevant, relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

The Trustee monitors portfolio turnover costs for the Defined Contribution Section on an annual basis as part of its VfM assessment.

*Manager turnover*

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis. For open-ended funds, the Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was appointed changes materially (e.g. manager fees or investment process); or
- The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.

In the Defined Contribution Section, the Default arrangements are reviewed on at least a triennial basis. A 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.

**Part C**

**Issues that apply to both the Defined Benefit and Defined Contribution Sections**

## 16. Environmental, Social, Governance (ESG) risks

The Trustee believes that environmental, social and corporate governance (ESG) issues, including climate change risks, can be financially material to long-term investment portfolios and should therefore be considered as part of the Scheme's investment process.

The Trustee has given the investment managers of both the Defined Benefit Section and the Defined Contribution Section full discretion to evaluate ESG issues in the selection, retention and realisation of investments. The Trustee believes that good active managers have considered, and will continue to consider, how best to account for ESG factors in their investment process. The evaluation of how the Scheme's active managers have identified and managed material ESG risks forms part of the Trustee's ongoing appraisal of the manager's appointment (including the underlying funds in the DC Default).

The Trustee will also consider the DB and DC Investment Advisers' assessments of how each 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 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 does not require the Scheme's investment managers to take non-financial matters (for example, member views on ethical and social considerations) into account in their selection, retention and realisation of investments. The Trustee does, however, consider feedback received from members as part of any discussions relating to the range of funds available within the Defined Contribution Section.

The Trustee has produced a Responsible Investment and Voting Policy outlining the Trustee's beliefs on ESG, Trustee Oversight and Governance Structure, Stewardship and Implementation in more detail. The

Trustee is committed to making ongoing improvements to the Scheme's approach and the processes that underpin the delivery of this policy to ensure it remains relevant.

## 17. Stewardship: Exercise of voting rights and engagement activities

The Trustee believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty.

The Trustee has given their investment managers full discretion in exercising rights and stewardship obligations relating to the Scheme's investments. The Trustee expects all their fund managers to monitor investee companies and engage with management on all relevant stewardship matters including performance, strategy, risks, social and environmental impact and corporate governance.

The Trustee may engage with its investment managers as part of its stewardship monitoring process or, potentially, as a particular stewardship matter is brought to its attention. The Trustee has not had, and does not expect, direct engagement with the issuers or other holders of debt or equity.

The Trustee is fully supportive of the UK Stewardship Code ("the Code") published by the Financial Reporting Council in September 2012 and expects the Scheme's managers who are registered with the FCA to comply with the Code. The Scheme's investment managers are required to report on the extent of their adherence to the UK Stewardship Code on an annual basis.

The Trustee Board provides an Implementation Statement within its annual report each year which sets out how it has acted on the principles within this Statement and will provide details of the stewardship, engagement and voting undertaken in regards to the Scheme's investments.

The Trustee requires detailed information on significant votes, as determined by the Trustee, to be provided by the investment managers on an annual basis. The significant votes are reviewed by the Trustee and are disclosed on an annual basis in the Scheme's Implementation Statement. The Trustee defines a 'significant vote' to be one that relate to the Trustee's beliefs and stewardship priorities.

## 18. Conflicts of interest

The Trustee has considered the risk of a conflict of interests in appointing the DB Investment Manager, which is a company in the same group as the Principal Employer. The Trustee sought advice on the appointment from the Investment Advisers and monitors the DB Investment Manager's performance in the same way as it would monitor a manager outside the Schroders group.

The Trustee believes that regular monitoring and review, with advice from the Investment Advisers, mitigates the risk of conflict to an acceptable level.

The Trustee has adopted a policy whereby Trustee directors, members of the Investment Committee and their advisers are required to disclose any actual or potential conflicts of interest. The register containing any conflicts which have been notified is reviewed on an annual basis.

## 19. Investment decision process

Under the Pensions Act 1995, Trustees are required, when taking investment decisions, to consider the need for diversification and suitability of individual investment categories and the underlying investments. Trustees must also take proper written advice before investing and periodically on retaining an investment. In addition, Trustees must exercise their decision-making powers in accordance with their Statement of Investment Principles.

The Trustee meets with and takes regular advice from its Investment Advisers with regard to its decisions and the continuing suitability of its investment policy for both the Defined Benefit and Defined Contribution Sections. In addition, the Trustee has regular access to information from the DB Investment Manager and the respective Defined Contribution fund managers to assist in its decision-making duties.

## 20. Review

The Principal Employer has been given delegated authority by the Scheme's other participating employers to act on their behalf for the purpose of consulting with the Trustee in relation to this Statement.

This Statement is subject to periodic review by the Trustee and will also be reviewed after any significant change in investment policy.

| Signature | Name | Date |
| --- | --- | --- |
| Uzoamaka Ekwue | Uzoamaka Ekwue | Dec 19, 2022 |
| Kate Leppard | Kate Leppard | Dec 19, 2022 |

**Signed on behalf of Schroder Pension Trustee Limited**
**(Trustee of the Schroders Retirement Benefits Scheme)**

## Statement of Investment Principles

### Schedules 1 – Defined Benefit Section

**Strategy**

The Scheme's assets have been split into Liability Matching, Liquid Growth, Alternative Credit and Illiquid Growth Portfolios, as follows:

*Liability Matching Portfolio* – comprising Liability Driven Investment and Buy and Maintain Credit sub-portfolios. These sub-portfolios invest in instruments (including interest rate, inflation and total return swaps, repurchase agreements, money market instruments, bonds and cash) to help match the Scheme's future liabilities to support stability of the funding ratio.

*Liquid Growth Portfolio* – the objective of this portfolio is to achieve better expected returns than the actuarial discount rate. The assets are currently invested in a Diversified Growth Fund that provides exposure to a broad range of assets.

*Alternative Credit Portfolio* – the objective of this portfolio is to achieve better expected returns than the actuarial discount rate. Assets are invested in investment grade and sub-investment grade public and private debt securities with the aim of generating broadly predictable cashflows.

*Illiquid Growth Portfolio* – a very small historic portfolio of property and private equity being managed as a run-off strategy over the remaining life of those assets.

As at September 2022, the target Portfolio allocations were as follows:

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| Liability Matching Portfolio | 66.7% |
| Liquid Growth Portfolio | 12.0% |
| Alternative Credit Portfolio | 21.3% |
| Illiquid Growth Portfolio | 0.0% |

**Benchmark**

The Defined Benefit Investment Manager will:

- Manage the Liability Matching Portfolio with the aim of broadly matching the Liability Benchmark. The Liability Benchmark is a series of cash flows provided by the Scheme Actuary that represent the Scheme's current and future benefit obligations; and
- Manage the Liquid Growth Portfolio, Alternative Credit Portfolio and Illiquid Growth Portfolio with the aim of outperforming their respective benchmarks/targets as reviewed and agreed with the Trustee and its Investment Committee.

## Statement of Investment Principles Schedule 2

## Defined Contribution Section

The Trustee's objective is to provide a range of funds that are suitable for meeting members' investment needs and objectives. The range of funds includes all the main asset classes with, where possible, a choice of active or passive management.

The underlying funds may be changed from time to time without changing the overall structure of the fund range.

There is a Lifestyle Strategy, which is the default for members who do not wish to make their own choice of fund or funds. The Trustee believes that the Lifestyle Strategy is an appropriate default for the majority of members but that does not mean that it is suitable for all members.

Details of the full range are set out below.

### Lifestyle Strategy

| | |
|---|---|
| SRBS Default Lifestyle Strategy<br>(DEFAULT) | Initial allocation: 65% Schroder Sustainable Multi-Factor Equity Fund, 35% Schroder Diversified Growth Fund.<br><br>Phase 2: Transition from initial allocation (see above) to achieve allocation of 100% Schroder Diversified Growth Fund 10 years prior to selected retirement age.<br><br>Phase 3: Transition over 7-year period to achieve allocation of 65% Schroder Diversified Growth Fund & 35% LGIM Cash Fund at selected retirement age. |

### Self-Select Funds

| Fund Type | Description | Underlying Fund |
|---|---|---|
| Multi Asset | Diversified Growth Fund | Schroder Diversified Growth |
| | Diversified Growth Fund | BlackRock DC Diversified Growth |
| Global Equity | Active Global Equity Fund (Option 1) | Schroder Sustainable Multi-Factor Equity |
| | Active Global Equity Fund (Option 2) | Schroder QEP Global Sustainable |
| | Active Global Equity Fund (Option 3) | Schroder Global Islamic Equity Fund |
| | Passive Global Equity Index Fund (Option 1) | LGIM World Developed Equity |
| | Passive Global Equity Index Fund (Option 2) | State Street Fundamental Index Global Equity |

| | | |
|---|---|---|
| UK Equity | Active UK Equity Fund (Option 1) | Schroder Prime UK Equity |
| | Active UK Equity Fund (Option 2) | Baillie Gifford UK Equity Core |
| | Active UK Smaller Companies Equity Fund | Schroder UK Smaller Companies |
| | Passive UK Equity Index Fund | LGIM UK Equity Index |
| US Equity | Passive US Equity Index Fund | LGIM North America Equity Index |
| European Equity | Active European (ex UK) Equity Fund | Schroder European |
| | Passive European (ex UK) Equity Index Fund | LGIM Europe (ex UK) Equity Index |
| Japan Equity | Active Japan Equity Fund | Schroder Tokyo |
| | Passive Japan Equity Index Fund | LGIM Japan Equity Index |
| Pacific Equity | Active Asian (ex Japan) Equity Fund | Schroder Institutional Pacific |
| | Passive Asian (ex Japan) Equity Index Fund | LGIM Pacific (ex Japan) Equity Index |
| Emerging Markets Equity | Active Emerging Market Equity Fund | Schroder Global Emerging Markets |
| | Passive Emerging Market Equity Fund | LGIM World Emerging Markets Equity Index |
| Bond | Active Bond Fund | Schroder Sterling Broad Market Bond |
| | Active Absolute Return Bond Fund | Schroder Absolute Return Bond |
| | Passive Corporate Bond Index Fund | LGIM Corporate Bonds (Over 15 years) Index |
| | | |
| Real Estate Investment Trust | Real Estate Investment Trust | Schroder Global Cities Fund |
| UK Gilts | Passive Long Gilts Index Fund | LGIM Over 15 Year Gilts Index |
| | Passive Index Linked Gilts Index Fund | LGIM Index Linked Gilts Index |
| Cash | Cash Fund* | LGIM Cash |

* Additional Default – further details are included within Section 12.