Trustee Statement of Investment Principles
Defined Benefit Elements

Reviewed by the Investment Oversight Committee: 26 September 2024
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1. Introduction

1.1. TPT Retirement Solutions administers two occupational pension schemes, The Pensions Trust (TPT) and The Pensions Trust 2016 (TPT 2016). TPT and TPT 2016 provide defined benefit (DB) pension benefits. This statement of investment principles governs decisions about investments in respect of the Defined Benefit elements of TPT and TPT 2016 (DB SIP).

1.2. In considering the appropriate investments and preparing this DB SIP the Corporate Trustee, Verity Trustees Limited (the Trustee), has obtained and considered the written advice of its Investment Consultant, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (Investment Regulations). The Trustee has consulted the participating employers about this Statement of Investment Principles.

2. Appointments and Delegation

2.1. The Trustee has delegated investment decisions and compliance stewardship to TPT Investment Management (TPTIM) that reports back to the Trustee via an Investment Oversight Committee (IOC).

2.2. TPTIM has delegated day-to-day investment management to authorised managers and has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Trustee's investments. The managers are not appointed for a fixed period of time but these appointments are regularly reviewed as part of the monitoring and review processes already in place. The continued appointment of an investment manager who fails to comply with the Trustee's policies and fails to give a satisfactory explanation will be reviewed. The details of individual managers are published each year in the investment report within the Trustee's Annual Report.

3. Investment Beliefs

3.1. The Trustee has agreed a set of Investment Beliefs that TPTIM uses as a framework when making decisions and agreeing investment strategy. The Investment Beliefs are reviewed annually and published each year and are made available on TPT Retirement Solutions' website. The Trustee regularly reviews the asset allocation of its DB investments in line with its Responsible Investment Framework (available on TPT Retirement Solutions' website) to ensure the security, liquidity, quality and profitability of the DB portfolio as a whole and to ensure DB investments are appropriately diversified.

4. Investment Strategies

4.1. Investment strategy involves the decision on the mix between the Growth Asset Portfolio, the Matching-Plus Portfolio and Liability Driven Investments (LDI). Assets within the Growth Asset and Matching-Plus Portfolios have the potential for higher returns but typically bring additional risk. LDI consists of assets that have similar characteristics to the liabilities, including interest rate and inflation sensitivity.

4.2. The investment strategy for each individual scheme will be determined after considering the liability and risk profile of the scheme. In addition, the investment strategy takes into account the underlying financial strength of the employer(s) and its ability and willingness to contribute appropriately to the scheme.

4.3. In order to meet the long-term funding objectives with an acceptable level of contributions, the Trustee seeks to control investment risk relative to each scheme's liabilities but does not necessarily fully match the expected liability cashflows.

4.4. By allocating to the Growth Asset and the Matching-Plus Portfolios the strategy targets a greater return than LDI assets are expected to provide. Investment risk is measured using a number of different metrics.

4.5. The Growth Asset and Matching-Plus Portfolios both aim to be well diversified between asset classes and return drivers. The strategy for each scheme is reviewed at least every three years to ensure it remains appropriate.

5. Investment Return

5.1. TPTIM determines the targets for each manager and monitors their performance using quarterly independent reports. The Trustee believes it is desirable to balance return and risk by using a combination of index tracking and active managers, and by taking account of the different investment styles of active managers. In the longer term this approach is expected to produce overall returns in excess of those of the relevant market indices.

6. Management and Risk

6.1. Investments are held by Custodians (or property deeds are held directly). Only designated persons can authorise the transfer of assets between managers. Each investment manager executes its own stock selection policy within asset allocation control targets agreed with TPTIM. The discretionary managers determine the investments held, subject to objectives agreed and reviewed from time to time. Some assets are readily marketable and investments may be realised from time to time as required to provide funds in order to make payment of benefits. Formal meetings are held regularly with the investment managers and custodians. By using a number of investment managers, the risk attached to adverse performance by any one manager is reduced. Derivative contracts can only be used with the prior agreement of TPTIM.

6.2. The following risks, which are not exhaustive, are assessed and monitored regularly.

Risk	Description	Mitigation
Basis	Liabilities cannot be perfectly matched	Modelling of liabilities using Asset-Liability software enables risk relative to liabilities to be understood and monitored. Additionally, work with the LDI manager enables LDI approaches to be designed to mitigate mismatch risks
Counterparty	Schemes or managers enter into financial contracts with a third party which then fails, for example due to default, to fulfil its obligations	Set an appropriately high minimum credit rating of counterparties to transact with and limit the exposure to any single counterparty. Collateral is required from counterparties to financial contracts to mitigate the loss in the event they fail to fulfil their obligations under the contracts
Covenant	Financial capacity and willingness of the sponsoring employers to support the scheme	Monitor and review on a regular basis
Credit	Default by issuers of financial assets and the risk that the value of these assets depreciates as a result of an increase in the level of perceived credit risk in the market	Control by imposing limits on the amount and type of credit assets that can be held
Diversification	A high proportion of the assets are invested in securities of the same, or related, issuer or in the same or similar industry sectors	Provide an appropriate spread of assets by type and spread of individual securities within each asset class through the overall investment arrangements

ESG & Climate Change	Downside risks that results from environmental, social and governance (ESG) related factors including climate change	Responsible Investment Framework sets out ESG risk management strategy as an integral part of investment decision making process, with specific reference to climate change and the Trustee's approach to engaging with and monitoring its investment managers in relation to ESG
Foreign Exchange	Losses that result from unhedged overseas investments	Implement a dedicated foreign currency hedging programme
Illiquidity	Inability of assets to be sold quickly or sold at fair market values	Set a prudent limit for the proportion of illiquid assets to be held in the portfolio and monitor the exposure on a regular basis
Longevity	Pensioners live longer than expected, leading to greater than expected benefit payments being made	Monitor schemes' mortality experience and mortality trends, and consider the likely outlook for future experience. Carry out sensitivity testing on the mortality assumptions to determine the impact of changes in the assumptions
Manager	Investment managers persistently underperform their performance objectives	Maintain a robust manager selection and monitoring process, manager diversification, tracking error limits and performance targets
Mismatch	Mismatch between the schemes' assets and liabilities, particularly in relation to the impact of changes in long term interest rates and inflation	Implement bespoke liability hedging solutions to manage a significant portion of the mismatch risk for each scheme
Operational	Loss arising from insufficient internal processes, people or systems and external events. This includes risk arising from the custody or transfer of assets, either internally or from new schemes entering TPT and TPT2016	Ensure processes and procedures are robust, documented and operated by trained personnel. Appropriately test systems and put in place appropriate business continuity plans
Strategic Investment	The selected long-term investment strategy fails to deliver the level of expected return or risk characteristics necessary to meet the underlying schemes' objectives	Set risk measures and limits, to be monitored regularly. Consider valuation metrics for investments, review strategic allocations on a regular basis

6.3. The Trustee acknowledges and accepts that portfolio turnover (which means the frequency with which scheme assets are expected to be bought or sold) and associated transaction costs are a necessary part of investment management. The Trustee also accepts that the impact of portfolio turnover costs (which means the costs of buying, selling, lending or borrowing investments), which are incurred by the investment managers, is reflected in performance figures provided by the investment managers.

7. Responsible Investment (including ESG factors) and non-financial matters

7.1. Introduction

7.1.1. The Investment Regulations require that trustees disclose their policies in relation to

A. financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments;

B. the exercise of the rights (including voting rights) attaching to the investments;

C. undertaking engagement activities in respect of investments (including methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters); and

D. the extent (if at all) to which non-financial matters (the views of members and beneficiaries including their ethical views) are taken into account in the selection, retention and realisation of investments.

7.1.2. The Investment Regulations also require trustees to be transparent about their scheme's arrangements with their asset managers including how (if at all) the arrangement incentivises the asset manager to act in accordance with trustee policies and the duration of the arrangement.

7.2. Financially material considerations

7.2.1. Financially material considerations are defined in the Investment Regulations as environmental, social and governance (ESG) considerations, including but not limited to climate change.

7.2.2. The Trustee is committed to being a responsible investor in line with its legal duties under the Investment Regulations. Responsible investment is an approach which seeks to integrate ESG considerations into investment management and ownership practices.

7.2.3. The Trustee believes that certain ESG factors can have an impact on financial performance and that it is part of its fiduciary and its legal duties to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the appropriate time horizon for an individual scheme in a way which reflects the demographics of members and beneficiaries. This view is expressed formally as a statement (number 10) in the Trustee's Investment Beliefs.

7.2.4. In order to formalise the activities that the Trustee undertakes to demonstrate its commitment to being a responsible investor, it has put in place a Responsible Investment Framework (RI Framework). The RI Framework covers the key activities undertaken by the Trustee in managing the assets of the scheme and ultimately allows it to communicate its approach to both key suppliers and members.

7.2.5. Responsible Investment forms an integral part of the governance and risk management framework used to protect the long-term value of the assets we manage on behalf of our members and beneficiaries.

7.2.6. The Trustee Board delegates responsibility for implementation of the RI Framework to TPTIM. In order to ensure the ongoing suitability of the Trustee's approach to Responsible Investment the RI Framework is reviewed annually by both the IOC and the Trustee Board.

Fund Manager Selection and Monitoring

7.2.7. The Trustee's RI Framework applies to all of its investments although it tailors its expectations according to the different asset classes and the investment styles of its managers (e.g. active or passive strategies).

7.2.8. The Trustee selects a variety of managers who share a number of key attributes including: a long-term mind-set; appropriate remuneration structures; robust risk management; and integration of ESG factors into its decision-making process. The Trustee's monitoring process for asset managers is robust and it monitors performance and the manager's remuneration on an ongoing basis which allows it to make decisions about a manager's value throughout that manager's appointment.

7.2.9. The Trustee incorporates its expectations on ESG and climate change in the manager selection process to ensure that it understands the extent to which ESG is integrated into the investment philosophy and process. It also incorporates specific requirements for ESG capabilities and reporting into its operational due diligence and into the Investment Management Agreements put in place which are tailored according to the particular mandate.

7.2.10. The Investment Management Team (IMT) discusses the approach of the Trustee's incumbent managers to stewardship, climate change and ESG risks as part of the manager monitoring process and requires the managers to report back on their Responsible Investment activities on a regular basis.

7.2.11. Each manager's approach is assessed using the Trustee's rating system, with four key areas considered: Values, Stewardship, RI Integration and RI Reporting and Transparency. Each investment manager is then assigned a Responsible Investment (RI) rating.

7.2.12. TPTIM reports RI manager ratings on a quarterly basis as an integrated part of its manager monitoring dashboard.

7.2.13. The Trustee does not offer individual incentives to managers but managers are incentivised by various other means. For example, the robust processes for selecting, monitoring and reviewing managers (together with the overriding possibility of their appointment being terminated) ensure that managers are incentivised to provide a high quality service that is aligned with the Trustee's policies and objectives, as outlined in this SIP and in the Investment Beliefs and RI Framework. In addition, if the managers are not aligned with the Investment Beliefs and the Investment Committee's objectives, their appointment could be terminated.

Environmental, Social and Governance Factors

7.2.14. As part of its approach to Responsible Investment, the Trustee considers a range of ESG risks, including corporate governance, human rights, bribery and corruption as well as labour and environmental standards. Of the environmental and social issues that we consider, we believe that climate change presents a material financial risk to the assets held in our portfolios.

7.2.15. The Trustee therefore supports the goals of the Paris Agreement and has signed the Global Investor Statements to Governments on Climate Change.

7.2.16. The Trustee has developed an approach to ensure that climate change risk, including physical, regulatory and transition risks are more explicitly considered through the investment process, from portfolio construction through to asset allocation. The Trustee's approach to climate change is set by its Climate Change Policy and commitments towards net zero.

7.2.17. The Trustee is taking action to tackle the risks of climate change through a commitment to net zero by 2050. Climate considerations are an integral part of the Trustee's Responsible Investment (RI) Principles and set our RI and stewardship approach in portfolio construction and monitoring, advocacy and reporting. Investments in thermal coal, oil sands and arctic drilling activities are not aligned with an ambition for net zero emissions.

The Trustee is a member of the Institutional Investors Group for Climate Change and part of the Global Steering Group of the Paris Aligned Investment Initiative. Due to the interdependence of climate change with nature and society, it is a signatory of Climate Action 100+, the Investor Statement on Just Transition (World Benchmarking Alliance) and the Investors Policy Dialogue on Deforestation (IPDD) initiative. This means that the Trustee is a part of the public discourse on climate change risks and opportunities and can influence change collaboratively.

7.2.18. TPTIM provides regular updates to the IOC and Trustee Board on its activities related to climate change considerations and it is committed to reporting on its progress as part of its annual update on Responsible Investment.

Social Factors

7.2.19. The Trustee considers that companies it invests in have a responsibility to support and uphold the observance of basic human and labour rights in accordance with the United Nations Global Compact. The Trustee does not condone any activity which constitutes modern slavery or human trafficking under the Modern Slavery Act 2015.

7.2.20. The Trustee expects investment managers to choose an investment that has a positive social impact when compared to a similar investment with the same expected return and risk.

7.2.21. The Trustee recognises that the Defence sector poses particular risks to the value of the assets held within its portfolio, specifically with regard to the status of certain weapons, and that investments in the sector have to be informed by the restrictions set out in international conventions. As a result, the Trustee does not invest in companies involved in certain controversial weapons.

7.2.22. The Trustee defines corporate involvement in controversial weapons as development, production, stockpiling, maintenance and offering for sale of controversial weapons and their key components.

7.2.23. In order to identify companies involved in controversial weapons the Trustee uses external data to compile an Exclusions List. Total avoidance of companies identified on the Exclusions List may not however always be practicable from an implementation perspective, partly because of the range of asset classes and investment strategies in which the Trustee invests and in particular the use of derivatives in the portfolio.

7.2.24. The exclusion of companies involved in controversial weapons as defined above therefore applies to investments in physical equities and corporate bonds where the Trustee also has the ability to direct which assets are held within the fund structure.

7.2.25. The Trustee does not restrict investments in sovereign bonds based on states' commitment or adherence to the above international legal instruments.

7.2.26. The Trustee carries out regular reviews of its portfolio to ensure adherence with its approach to restricting investments in Controversial Weapons.

Governance Factors

7.2.27. The Trustee considers that companies it invests in have a responsibility to comply with the UK Corporate Governance Code and international best practice pertaining corporate governance such as G20/OECD Corporate Governance Principles and the ICGN Global Governance Principles.

7.2.28. The Trustee considers that every company it invests in also has the responsibility to support shareholder rights by publishing the company's meeting materials within a reasonable timeframe, facilitating engagement with investors and market setters, and promoting best practices and innovation.

7.2.29. Where a company's activities are found clearly to conflict with relevant English law or guidance from the UK government, or with international treaties ratified by the British parliament, this may result in one of two outcomes:

A. A decision to engage with the company with a view to having the company desist from that activity. Such engagement should be held at an appropriate level and be subject to ongoing review as to its progress. If after a reasonable time engagement has been unsuccessful then divestment might be the response.

B. In exceptional circumstances where conduct is overtly unacceptable and/or there seems no reasonable prospect of engagement success, an immediate decision by the Trustee to divest from the company.

7.3. Voting

7.3.1. The Trustee aims to vote its shares in all markets where practicable. In the normal course of events, it delegates this activity to its investment managers. That said, the Trustee retains the right (where possible) to direct its investment managers to vote in a particular way that it believes is in the best interest of its members. The Trustee expects its managers to use their best endeavours to facilitate the implementation of client voting decisions. This right is most noteworthy in situations where the voting decision taken on a resolution would enable the Trustee to better implement the commitments set out in its RI Framework. The Trustee Board delegates judgement on these matters to the IMT. Where the Trustee exercises its right in this way, it will inform TPTIM of its decision, together with the reasons for it.

7.3.2. The Trustee expects its investment managers to exercise its voting rights, on behalf of the Trustee, in line with this DB SIP and/or consistent with the Corporate Governance Policy and Voting Guidelines issued by the Pension and Lifetime Savings Association (PLSA). Although the PLSA guidelines focus solely on voting at UK companies, they reference support for the

G20/OECD Corporate Governance Principles and the ICGN Global Governance Principles. The Trustee expects its investment managers to use these guidelines when voting in markets outside the UK. In some cases where the Trustee deems the investment manager to have Voting policies that better reflect the Trustee's approach to Responsible Investment than those set out by the PLSA, the IMT may choose to instruct the investment manager to vote in line with the investment manager's own policy.

7.3.3. Where an investment manager intends to vote at variance with this policy, the manager is asked to inform the Trustee as far in advance as possible to afford the best possible chance for the IMT to review the appropriateness of that manager's voting intentions on behalf of the Trustee.

7.3.4. The Trustee has an active securities lending programme which can sometimes prevent it from voting all of its shares. The Trustee may choose to recall or restrict the amount of stock lent in case of a contentious vote or a vote relating to the Trustee's engagement activities. This decision will be considered on a case-by-case basis with counsel from the relevant investment manager(s).

7.4. Engagement

7.4.1. The Trustee's approach to engagement applies to equity and corporate bond holdings and consists of four elements:

A. Engagement by investment managers: The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes that investment managers are best placed to engage with invested companies on ESG matters, given their knowledge of the company and the level of access they have to company management. This is a pragmatic approach because of the number of stocks owned by the Trustee, and the amount of time corporate entities have available for single investors. Engagement, with the aim of improving the medium to long-term performance of investor companies, is one of the factors taken into account by the Trustee in the selection, monitoring and review of managers. The Trustee expects its managers to engage on ESG matters where they are considered material and relevant to the investment case. It also expects its managers to respond to specific requests the Trustee might have.

B. Joint engagements with investment managers: There may be occasions when engagement topics identified by the Trustee overlap with the engagement efforts of its investment managers. In these situations, the Trustee will seek to undertake joint engagement activities with investment managers.

C. Collaborative engagements: The Trustee recognises that as a responsible asset owner, it should, wherever practicable given time and resources, support initiatives which aim to improve the regulatory and operational environment for all investors. As part of this, the Trustee will participate in collaborative engagements with other asset owners which it sees as furthering the aims and objectives of its investment beliefs and its RI Framework. As part of its efforts in this area the Trustee is committed to joining collaborative engagements through its association with organizations such as the PRI, 30% Club, Investors Policy Dialogue on Deforestation (IPDD) and the Institutional Investors Group on Climate Change (IIGCC). This list is not considered to be exhaustive.

D. Direct engagements: On occasions, an issue may arise where the Trustee believes it is necessary to directly engage with companies on particular ESG related issues.

In each case, the Trustee's approach to engagement is designed so that there is effective stewardship over the investments. It therefore requires an investment manager to consider a range of financial and non-financial considerations concerning the Trustee's investments, including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

7.4.2. The Trustee's engagement activities will include written, oral and electronic communication and personal meetings with a company's senior policy makers.

Codes and industry initiatives

7.4.3. The Trustee supports industrywide initiatives to promote Responsible Investment and Stewardship and is a signatory to both the Principles for Responsible Investment (PRI) and the Montreal Pledge.

7.4.4. The Trustee does not insist that current and potential future investment managers are themselves PRI signatories, but it will discuss with its investment managers how they are implementing the spirit of these principles and whether they are signatories. The Trustee does not insist the investment managers publicly support the UK Stewardship Code but it will seek from its investment managers how they demonstrate their support for the code (for asset classes where it is appropriate).

7.4.5. The Trustee also aims to engage on relevant policy issues alongside other like-minded, responsible investors. To support the Trustee's work in this regard, it is a member of the Institutional Investors Group on Climate Change (IIGCC) and the UK Sustainable Investment and Finance Association (UKSIF).

Communicating and reporting

7.4.6. The Trustee shares information on its Responsible Investment activities via regular member and employer reporting channels.

7.4.7. As a substantial investor in both UK and non-UK listed companies, the Trustee accepts its responsibilities as a shareholder and owner, whether that ownership is directly or indirectly held. This responsibility includes ensuring, where possible, that the companies in which it invests are run by executive officers and directors in the best long-term interests of shareholders.

7.5. Non-financial matters

7.5.1. Non-financial matters are taken into account in the selection, retention and realisation of investments. Non-financial matters for the purposes of the Occupational Pension Schemes (Investment) Regulations 2005 means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of TPT and TPT2016.

7.5.2. The Trustee recognises that by delegating the selection, retention and realisation of its DB investments to its investment managers, there are limitations to the extent to which it can take into account non-financial matters in its DB investments. However, the Trustee has adopted a practical and holistic approach to non-financial matters in relation to DB investment as set out in its Ethical Investment Framework. Further, TPTIM requires its relevant investment managers to report regularly on the application of the Ethical Investment Framework in the selection, retention and realisation of ethical investments across all asset classes and how they seek to exclude companies with business interests and activities that conflict with members' moral and ethical preferences (e.g. tobacco).

7.5.3. The Trustee will review its policy on non-financial matters on an annual basis.

8. Funding Requirements

8.1. The Trustee receives independent professional advice from its actuary in order to ensure that the funding obligations of the Pensions Act 1995 and the Pensions Act 2004 are complied with. Each scheme is individually valued in order to assess its own funding position relative to its obligations to members.

9. Compliance

9.1. TPTIM requires all investment managers to confirm, through their reporting, that the investments are diversified and suitable, and that they have complied with the principles set out in this DB SIP. The Trustee will review this DB SIP annually and without delay after any significant change in investment policy.

9.2. Consultation with participating employers will be undertaken if these investment principles change.

9.3. The investment strategy and expected return details of individual schemes will be available to members of that scheme on request from the Trustee.