The Nokia Retirement Plan for former NSN and ALu Employees

Statement of Investment Principles – September 2024

1. Introduction

Dalriada Trustees Limited, the Trustee of the Nokia Retirement Plan for former NSN and ALu Employees (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments. A separate document detailing the specifics of the Plan's investment arrangements is detailed within the Investment Policy Implementation Document, "IPID"

In preparing this Statement the Trustee has consulted with the Employer, Nokia UK Limited. The Trustee will seek to maintain a good working relationship with the Employer and will discuss any proposed future changes to this Statement with the Employer. However, the Trustee's fiduciary obligations to Plan members will take precedence over the Employer's wishes, should these ever conflict.

In preparing this Statement the Trustee has also obtained written advice from the Plan's Investment Consultant, Mercer Ltd. Where matters described in this Statement may affect the Plan's funding policy, input has also been obtained from the Plan Actuary.

The Plan provides two types of benefit, one linked to defined benefits (DB) (covered in Section 3) and the other linked to defined contributions (DC) (covered in Section 4). Section 4.5 of this Statement, provides details of the DC section default investment option to meet the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent legislation.

2. Fund governance

The Trustee has direct responsibility for setting investment objectives, establishing risk and return targets and investment manager structure for all sections of the Plan. It also has responsibility for determining the investment options offered in the DC section and the strategic benchmark of the DB section.

An Investment Consultant has been appointed by the Trustee to provide relevant advice to the Trustee. The Trustee also takes advice as appropriate from the Plan Actuary and other professional advisers.

The Trustee is accountable for the investment of the Plan's assets. As allowed by legislation, the Trustee has delegated day to day management of the Plan's investment arrangements to investment managers. The investment managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. They are also responsible for appointing and monitoring the custodians to whom the safe keeping of their pooled funds' assets is delegated. In the case of the DB section, the Trustee contracts directly with the managers. For the DC section, the investment funds are accessed through a direct long-term insurance contract with "platform" provider, Scottish Widows. The Trustee is also responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members (covered in Section 5).

3. Defined Benefit Section

3.1 Investment Objectives

The Trustee's objective is to invest the Plan's assets in the best interest of the members and beneficiaries to ensure that obligations to the beneficiaries of the Plan are met. Within this framework, the Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustee's primary objectives are as follows:

- *to minimise ongoing funding risk relative to the cost of insuring the full liabilities;*
- *to consider the Employer's interest in controlling volatility in the ongoing funding level;*
- *to pay due regard to the statutory funding objective ("SFO") regulations.*

3.2 Risk and Return Targets

The Trustee recognises that, with the development of liability driven investment funds and other financial instruments, it would be possible to select investments that are similar to the estimated liability cashflows. However, in order to meet the Trustee's return objectives, the Trustee takes investment risk relative to the liabilities measured on the Technical Provisions basis. This taking of investment risk seeks to target a greater return than the matching assets would provide, whilst maintaining a prudent approach to meeting the Plan's liabilities.

Before deciding to take investment risk relative to the liabilities, the Trustee received advice from the Investment Consultant and Plan Actuary, and held discussions with the Employer. In particular, the Trustee considered carefully the following possible consequences:

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This may result in deterioration in the Plan's financial position and consequently may require contributions from the Employer or extend the timeframe to insuring the full liabilities.
- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Plan. This consequence is particularly serious if it coincides with the Employer being unable to make good the shortfall.

The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Employer and its willingness to contribute appropriately to the Plan. The financial strength of the Employer and its perceived commitment to the Plan is monitored and the Trustee will review the investment strategy should either of these deteriorate.

Having received advice from the Investment Consultant, the Trustee has adopted investment arrangements that target a low level of risk relative to both the Technical Provisions liabilities and the cost of insuring the liabilities. The Trustee believes that the arrangements adopted represent a satisfactory trade-off between target return (net of all costs) and investment risk after taking into account the resources available to implement and monitor them and the Employer covenant.

3.3 Strategic investment benchmark

The Trustee has established a strategic investment benchmark for the Plan taking into account the risks and potential returns identified above, their view of the strength of the covenant and funding objectives. Full details of the Plan's current benchmark are set out in the IPID. The following table provides a summary:

Asset Class	**Strategic Benchmark Allocation**
Investment Grade Corporate Bonds	37.5%
Liability Driven Investment (incl. cash)	62.5%
Total	**100.0%**

There is a small legacy allocation to infrastructure, which is in run down so does not have a strategic benchmark allocation.

The actual allocation is compared to the strategic benchmark allocation as part of the quarterly performance monitoring and at each Trustee meeting. An under or overweight position will act as a trigger for discussion rather than an automatic mechanism for rebalancing. Cashflows will be used to bring the allocation back towards the strategic benchmark allocation where possible. Further details are described in the IPID.

In addition to the above, the Trustee holds a buy-in contract with Aviva which covers a subset of pensioner liabilities. The longevity and investment risk associated with these liabilities was therefore transferred to the insurer.

The Plan has in place a bespoke Liability Driven Investment ("LDI") portfolio. As one of the Trustee's primary objectives is to minimise funding risk relative to the cost of insuring the liabilities the primary aim of the LDI portfolio is to protect against interest rate and inflation risk up to 105% of the value of the liabilities on the Technical Provisions basis.

Based on Mercer's asset class assumptions as at 30 September 2023, the target investment strategy would be expected to deliver a return of approximately 0.4% p.a. above the Technical Provisions liabilities over the long term (based on the median expected return). The asset return will be volatile due to the risks set out later in this document. The Trustee, in consulting on the investment strategy with the Employer, has established that its views on the current and prospective covenant strength support the target investment strategy.

The Trustee has also established a high-level investment manager structure, for dividing the assets amongst different types of managers. The current overall investment manager structure is set out in detail in the IPID.

3.4 Financially Material Consideration, Risk Management and Measurement

The Trustee's policies on the factors they consider to be financially material when making decisions relating to selection, retention and realisation of the Plan's investments, over its anticipated remaining timeframe, are outlined in this section.

In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of drivers, which it expects to be rewarded for over time in the form of excess returns. By diversifying – across asset classes and within individual investment manager mandates – the impact of any single risk is mitigated.

Among the asset classes that the Trustee has considered for the Plan's investments are:

- UK Government bonds – although UK Government bonds are the lowest risk asset relative to the Plan's Technical Provisions liabilities, they are not risk free. *Interest rate risk* exists if the cashflow profile of the UK Government bonds held differs from that of the projected liabilities. *Inflation risk* exists if the assets and projected liabilities have different linkages to inflation.

- Other bonds – in addition to interest rate risk and inflation risk, investing in certain bonds may introduce *credit risk* and *currency risk*. Credit risk reflects the possibility that the payments due under the bond might not be made by the borrower. Currency risk will arise through investment in non-sterling bonds, given the Plan's liabilities are denominated in sterling, because changes in exchange rates will impact the relative value of the assets and liabilities.

For some asset classes, the Trustee has chosen to employ active management. It has selected investment managers whom it believes have the skill and judgement to add value net of fees. Active management gives rise to *active risk* as additional performance above a benchmark may not be achieved. The Trustee regularly monitors the effectiveness of taking active management risk.

Some of the investment managers employ derivatives, which are subject to agreed restrictions. The risks of using derivatives are largely the same as those of investing in the underlying asset categories. However, additional risks do exist:

- *Leverage* may be introduced if the economic exposure arising from investing in a derivative is greater than the capital committed to the investment.

- *Counterparty risk* is introduced due to the risk of default of a counterparty. This is managed by ensuring a diverse range of counterparties is used, monitoring of the creditworthiness of counterparty banks, suitable restrictions on counterparty concentration and the collateralisation process.

- *Collateral sufficiency risk* is the risk that the Plan has insufficient collateral available for posting to the counterparty to cover mark-to-market losses. The Trustee reviews collateral requirements regularly.

- *Roll risk* is introduced because the derivatives used may be short term contracts that must therefore be “rolled”, or re-transacted, regularly. Roll risk is the risk that the cost of re-transacting rises or, in extremis, that re-transaction is not possible.

- *Funding cost risk* arises from the Plan’s obligation to pay a cash rate that may not be achieved on the assets.

Other risks that the Trustee deems financially material are detailed below. The Trustee discusses these risks as part of its regular monitoring of the investment managers.

- Assets are held by custodians. *Custody risk* exists as the custodian may become insolvent and a proportion of assets may become trapped during insolvency proceedings. Further cash balances held with the custodian under a banking relationship are at risk of loss.

- The investment manager may go insolvent which may in limited circumstances lead to loss of asset value or period of inactivity. The Trustee considers the security of the assets as part of manager appointments.

- *Risk of managers investing inappropriately*. The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The managers are prevented from investing in asset classes outside their mandate without the Trustee’s prior consent. The managers are authorised by the appropriate regulators.

- The Trustee recognises that there is *liquidity risk* in holding assets that are not readily marketable and realisable. Given the Trustee’s investment horizon, they believe that the reward for holding illiquid assets is not sufficient to offset the risk. Thus, only a small proportion of the Plan’s assets are invested in illiquid investments and the allocation in being wound down. The remainder are realisable at short notice. The Trustee also considers the potential collateral requirements as part of its considerations on liquidity.

- The Trustee is also aware of *concentration risk* which arises for example when a high proportion of the Plan’s assets are invested in securities of the same or related issuers. The overall investment arrangements are intended to provide an appropriate spread of assets by type, issuer and individual securities within each asset class.

- Across all of the Plan’s investments, the Trustee is aware of the potential for regulatory and political risks. *Regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes.

- *Environmental, Social and Governance (ESG) risk* concerns the risk the ESG issue are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- *Climate risk* concerns the extent to which climate change may have a material impact on asset values as a consequence of factors including but not limited to physical damages and policy changes to support the transition to a low carbon economy.

Section 6 of this Statement details the Trustee's views on, and approach to, the latter two risks listed above.

In considering the selection, retention and realisation of investments the Trustee does not take account of non-financially material considerations, including member views.

Should there be a material change in the Plan's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered.

3.5 Day to day management of the assets

Day-to-day management of the assets is delegated to professional investment managers who are authorised by the appropriate regulators. The current investment managers are listed in the IPID.

The investment managers have full discretion to buy and sell investments on behalf of the Plan, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations and each manages investments for the Plan to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured. The IPID gives details of each investment manager's mandate as set out in their respective investment management agreements.

The Trustee assesses the continuing suitability of the Plan's investment managers via quarterly reporting provided by its investment consultant and when meeting each investment manager, such meetings take place on an ad hoc basis.

3.6 Rebalancing, cashflow, liquidity and realisation of assets

The Trustee monitors the allocation between the appointed managers and between asset classes on a quarterly basis via quarterly reporting provided by its investment consultant. The Trustee will decide if a rebalance is required, with advice from its investment consultant as required, and implement the necessary changes.

The Trustee has taken into account the Plan's liquidity requirements when implementing its investment strategy and also collateral requirements arising from the Plan's investments in LDI funds. The Trustee monitors the Plan's liquidity requirements on a quarterly basis, and aims to keep sufficient cash reserves as well as hold a portion of assets in liquid investments that can be realised at short notice in order to fulfil cash calls. The Trustee has an agreed collateral management process in place with the LDI manager.

In general, the investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments, but would be responsible for generating any cash required for benefits and other expenditure on the instruction of Aptia UK Limited as administrators acting on the authority of the Trustee.

4. Defined Contribution Section

4.1 Investment Objectives

The Trustee recognises that members have different investment requirements and these requirements will vary according to members' personal circumstances and their attitude to risk. As such the Trustee's key objective is to make available a range of investment options so as to enable members to tailor an investment strategy to their own personal needs, suitable for meeting members' long-term and short-term investment objectives, while avoiding over complexity. It has taken into account members' circumstances and in particular members' attitudes to risk and term to retirement.

The Trustee makes available a range of funds with different risk and return characteristics so that members can construct an overall portfolio mix suitable for their pensions at retirement. Members are responsible for choosing from the range of funds on offer.

The Trustee has established a default investment option for the Plan, as described in section 4.5, which is appropriate for a typical member not wishing to make his/her own investment decisions.

The Trustee is satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the DC section, particularly in relation to diversification, risk, expected return and liquidity.

4.2 Risk and Return targets

The Trustee has considered risk from the following perspectives and believes the following risks may be financially material. The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee believes that the appropriate time horizon within which to assess these risks should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

The Trustee considers the following sources of risk and has taken associated actions to minimise the impact:

- The risk that investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure adequate benefits at retirement. *The Trustee measures this risk by considering the real returns expected from the various asset classes. The Trustee makes available a default investment option for members, which has explicit allocations to assets that are expected to outperform inflation over the long term. Members are also able to self-select funds which are expected to outperform inflation*.

- The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits. *Investment risk is measured as the volatility of expected returns. The Trustee provides a default investment option, which reduces the level of investment risk members are exposed to as they approach retirement.*

- The risk of fund managers not meeting their objectives. *This risk is considered by the Trustee and its advisers upon the initial appointment of the fund manager and on an ongoing basis thereafter. This risk is reduced by the use of passive management.*

- The risk that an active investment manager underperforms the benchmark against which the manager's performance is assessed. *This risk is measured by the volatility of fund returns relative to their benchmark and compared to the investment manager's stated target/expected tracking error. The Trustee monitors the performance of the investment vehicles on a quarterly basis to assess whether the investment managers are meeting expectations.*

- The risk of the default investment option being unsuitable for the requirements of some members. *The Trustee offers a default investment option that is designed to be suitable for the majority of* *the Plan members by targeting income drawdown. Moreover, the Trustee offers two alternative lifestyle options that target annuity purchase, and full encashment. Members are able to self-select funds if the default investment option and alternative lifestyle options are considered unsuitable.*

- 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 suitable liability and compensation clauses are included in all contracts for professional services received.*

- The risk that Environmental, Social and Governance (ESG) issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations. *The management of ESG related risks is delegated to investment managers. See Section 6 of this Statement for the Trustee's responsible investment and corporate governance statement.*

- The risk to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy. *The management of climate change related risks is delegated to investment managers. See Section 6 of this Statement for the Trustee's responsible investment and corporate governance statement.*

4.3 Day-to-day management of the Assets

Day-to-day management of the Defined Contribution assets is delegated to a range of professional investment managers who offer pooled funds which are administered through an Investment Platform (Scottish Widows), where the Trustee holds a long-term insurance policy. All parties are authorised by the appropriate regulator. For more details of the underlying managers appointed, please see the Plan's IPID.

4.4 Lifestyle options

The Plan makes available lifestyle strategies for the Plan's members via the Scottish Widows Investment Platform.

- Drawdown Lifestyle Strategy (the default investment option)

- Annuity Lifestyle Strategy

- Cash Lifestyle Strategy

All lifestyle strategies invest 100% of assets in the Equity and Diversified Growth Fund until eight years before the member's target retirement date. As retirement approaches, these assets are gradually transferred into a Cash Fund, a Pre-Retirement Multi-Asset Fund or a Pre-Retirement Bond Fund, depending on the targeted retirement outcome.

The intention behind the lifestyle process is that members' assets are increasingly de-risked the closer they get to retirement, when their assets will be needed and volatility in the value of assets could be more detrimental. Members can either nominate their own retirement age or the default of 65 will be used. Further information about the mechanics of the lifestyle strategies is available in the IPID.

4.5 Default Investment Option

Typically, a proportion of members will actively choose the default investment 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 invested in the default investment option.

The aims of the default investment 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 default investment option growth phase invests in equities and other growth-seeking assets (through a diversified growth fund). These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion.

- 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. These aims are achieved via automated lifestyle switches as members approach their selected retirement date.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to use their savings in the Plan to pursue income drawdown and take the maximum allowable tax-free cash (usually 25% of the value of the member's accumulated benefits, but more in some cases).

  At the member's selected retirement date, 75% of the member's assets will be invested in a pre-retirement multi-asset fund and 25% in a money market fund.

The Trustee's policies in relation to the default investment option are detailed below:

- The default investment 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 default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.

- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the profile of members. Based on the Trustee's understanding of the Plan's membership, a default investment option that targets income drawdown at retirement is considered appropriate.

- Members are supported by clear communications regarding the aims of the default investment option and the access to alternative investment approaches. If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy. Moreover, members do not have to take their retirement benefits in line with those targeted by the default investment option; the target benefit is merely used to determine the investment strategy held pre-retirement.

- Assets in the default investment option are invested, through an insurance contract, in daily traded pooled funds which hold highly 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 delegated to the respective investment managers in line with the mandates of the funds. Likewise, 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.

The Plan provides member communications detailing the alternative retirement benefits other than that targeted by the default investment option. In addition, a range of self-select funds are offered to members.

Taking into account their understanding of the Plan's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the default investment option is appropriate. However, the Trustee will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic, if sooner.

The former Alcatel-Lucent Pension Scheme – Lucent Section has a With-Profits policy with the Prudential Assurance Company Limited.

The General Reserve (specific to Former ALu Employees)

The Plan pays benefits to members which are the higher of a Defined Benefit underpin and the accumulated value of an individual member's investments. In the case of the former, the Plan (and ultimately the Plan sponsor) is responsible for covering any shortfall.

There are certain assets that belong to the Plan but not to any specific members, this is defined as the 'General Reserve'. The General Reserve can be used to pay Plan expenses and can also be used to contribute to any shortfall, should it arise.

The General Reserve assets are invested in the Diversified Growth Fund. The Fund invests in a highly diversified mix of asset classes. By managing exposure during market extremes, the Fund seeks to deliver long-term returns in line with its target while reducing downside risk.

4.6 Illiquid Assets Policy

The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Plan's default investment strategy includes no direct allocation to illiquid investments. However, a number of funds used within the default investment strategy do have the ability to invest in illiquid assets, namely:

- The Equity and Diversified Growth Fund. This is a white-labelled fund with a 50% allocation to the BlackRock DC Diversified Growth Fund. The BlackRock DC Diversified Growth Fund does not have an allocation to illiquid assets as at 30 June 2024. The BlackRock DC Diversified Growth Fund does however have the ability to allocate to illiquid assets in the future should BlackRock wish. Members gain exposure to the Equity and Diversified Growth Fund throughout the length of the glidepath.

- The Pre-Retirement Multi Asset Fund. This is a white-labelled fund with a 100% allocation to the LGIM Retirement Income Multi Asset Fund (RIMA). RIMA includes an allocation of c.5.1% to illiquid assets as at 30 June 2024, in the form of c.0.5% in UK Physical Property and c.4.6% in Illiquid Debt. Members gain exposure to the Pre-Retirement Multi-Asset Fund from 8 years to retirement, up until retirement.

The Trustee is comfortable with indirectly investing in a small proportion of illiquid assets through the funds set out above. The other funds used in the default investment strategy do not invest in any underlying illiquid assets as at 30 June 2024.

In selecting investments for the default investment strategy, the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment decisions, the Trustee will consider whether the investment provides value for members, taking account of the return potential and associated risks. It is the Trustee's policy to review the allocation of the default investment strategy on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

The Trustee understands the potential for higher returns and benefits of diversification relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. Whilst these potential benefits are recognised by the Trustee, it is also aware of the risks of illiquid assets to members. Given the potential for disclosed valuations of illiquid assets to not reflect their accurate market value at a given time, as well as concerns over liquidity management and platform compatibility; the Trustee considers direct investment into an illiquid asset fund as not currently suitable for members of the Plan. However, the Trustee will continue to discuss the inclusion of illiquid assets. The Trustee remains comfortable with the funds used in the default investment strategy, and annually assesses whether the funds used provide value for members.

5. Additional Voluntary Contributions (AVCs)

Under the terms of the trust deed, the Trustee is responsible for the investment of AVCs paid by members. The Trustee reviews the chosen AVC providers on a regular basis and takes advice as to the providers' continued suitability. Assets in respect of members' AVCs are held in:

- The Prudential Assurance Company Limited.
- Phoenix Life Limited.
- Clerical Medical.

Members can also elect to invest their savings into the Defined Contribution funds with Scottish Widows.

6. Responsible Investment and Corporate Governance

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a financially 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, present risks and opportunities that increasingly may require explicit consideration.

The Trustee will periodically discuss climate change with their investment consultant and investment managers to consider the potential implications for the Plan's investments.

The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, including undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

The Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee believes that good corporate governance is important, and it expects the investment managers to have developed suitable policies which promote the concept of good corporate governance and, in particular, a policy of exercising voting rights.

The Trustee has agreed that they consider the following to be their key stewardship themes/priorities:

- Climate change & environmental impact.
- Diversity, Equity & Inclusion ("DEI").

- Executive remuneration.

The Trustee determined these priorities based on the Trustee's ESG beliefs, taking into account the Employer's strategic priorities on ESG and sustainability matters.

The Trustee considers the investment consultant's assessment of how each of the DB section investment managers embed ESG into their investment process. 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 and will challenge the investment managers' decisions if deemed necessary.

Given the objectives of the Plan, the Trustee has not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material considerations. Members' views are not taken into account in the selection, retention and realisation of investments.

In selecting any new or replacement investment manager(s), the Trustee will explicitly consider, where relevant, potential managers' approaches to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision-making.

The Trustee incorporates the Passive Global Sustainable Equity Fund into the self-select fund range of the DC section. The fund aims to seek income and long-term growth of capital through investing in a globally diversified equity portfolio of companies, which are expected to benefit either directly or indirectly from a focus on Environmental, Social and Governance (ESG) considerations.

7. Investment manager appointments

7.1 Aligning manager appointments with investment strategy

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 they are selected to manage.

The Trustee looks to their investment consultant, where appropriate, for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the investment consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The investment consultant'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.

When selecting and appointing investment managers, the Trustee will take into account how ESG factors, including climate change and stewardship, are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

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

The Plan currently invests entirely in pooled investment vehicles, and therefore the Trustee accepts that it has no direct ability to specify the risk profile and return targets of the managers, but appropriate mandates can be selected to align with the overall investment strategy.

7.2 Monitoring manager appointments

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over a variety of periods. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and/or against the managers' stated target performance (over the relevant time period).

The Trustee's focus is on long term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance.
- There is a change in the portfolio manager or portfolio management team;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to the investment consultant's rating of the manager.

The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management.

If managers are not meeting performance objectives, or investment objectives for mandates have changed, the Trustee may ask managers to review the Annual Management Charge.

The Trustee undertakes regular reviews of the DC investment options, including Scottish Widows as investment platform provider, and the default investment option to assess their performance and ensure they continue to meet the Trustee's objectives.

7.3 Portfolio turnover costs

Within the DB section, the Trustee does not currently monitor portfolio turnover costs in any detail, but it assesses quarterly performance results on a "net of fees" basis, i.e. accounting for turnover costs as part of its overall assessment of performance.

The Trustee receives MiFID II (Markets in Financial Instruments Directive) reporting from their investment managers but does not analyse the information. However, 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 cost. The Trustee may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

Regarding the DC section, the Trustee considers portfolio turnover costs as part of the annual value for members assessment.

7.4 Manager turnover

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. The Plan is invested in open-ended funds, for which there is no set duration for the manager appointments. The Trustee will therefore 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 manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

Within the DC section, all the funds are open-ended with no set end date for the arrangement. The suitability of the self-select fund range and default investment option are reviewed on at least a triennial basis while performance is reviewed at least quarterly. A manager's appointment may be terminated if it is no longer considered to be optimal.

8. Compliance with this Statement

The Trustee monitors compliance with this Statement annually.

9. Review of this Statement

The Trustee will review this Statement at least once every three years and as soon as practicable after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. In addition, the Employer will be consulted on the change.

Shehzad Ahmad	27 September 2024
Authorised Signatory	**Date**

Signed on behalf of Dalriada Trustees Limited.