

TWEFS Retirement Benefits Scheme

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This statement has been prepared by the Trustee of TWEFS Retirement Benefits Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee believes that its investment advisers, Isio, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Defined Benefit (DB) Section

Investment Objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ current and future benefits can be paid. The Scheme’s funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances. The Scheme’s funding target is specified in the Statement of Funding Principles.

The Scheme’s present investment objective is to achieve a return of around 2.0% per annum above the return on UK Government bonds.

Investment Strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company’s covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Additional Voluntary Contributions

Additional voluntary contributions previously collected by the Pension Scheme from individual Scheme members are held in Schemes operated by Standard Life and Utmost Life and Pensions, companies registered in the United Kingdom, and are allocated to those members who made the contributions.

Leverage and Collateral Management

The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio.

The Trustee, via the Scheme's platform provider, have a stated collateral management policy / framework. The Trustee has agreed a process for meeting collateral calls should these be made by the Scheme's LDI manager. The Trustee will review and stress test this policy / framework over time.

Defined Contribution (DC) Section

Investment Objectives

The Trustee's objectives are to provide members with an investment strategy aligned to the needs of its members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustee understands that the Scheme is not required to provide a default investment strategy as it was not set up for auto-enrolment purposes. The section was originally intended to receive contributions on earnings in excess of the earnings cap for members of the defined benefit section and was made available to certain members who were close to retirement when the defined benefit section closed to future accrual in February 2011. The Trustee does not therefore consider a lifestyle strategy to be appropriate for the defined contribution section; hence, there has not been and is no formal default arrangement in place.

The Scheme requires members to self-select their own investments and the Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds.

Risk

The Trustee recognises that in a defined contribution arrangement, members assume the investment risks themselves. The Trustee further recognises that members are exposed to

different types of risk at different stages of their working lifetimes.

The Trustee recognises the key risk is that members will have insufficient pension savings or an income that does not meet their expectations. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below:

Expectations: Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices

Loss aversion: Risk of loss to a member's fund value from period to period and the subsequent impact on their behaviour

Fund manager risk: A fund manager may not achieve their objectives

Operational risk: The risk of fraud, poor advice or acts of negligence

Political risk: The legislative and tax environment could change from the environment in which the investment strategy was designed

Cost risk: The costs of administering and investing the assets exceeds the anticipated cost

Environmental, Social and Governance risk: Management of the Scheme assets with regard to Environmental, Social and Governance factors, including but not limited to climate change which can impact the performance of the Scheme's investments.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative and a quantitative manner.

Default Arrangement

The Trustee is not required to establish a default investment strategy for the Scheme as the Scheme was not set up for auto-enrolment purposes. Instead, the Trustee offers a range of self-select options from which members may choose to invest their assets. The range of investment options covers a number of asset classes and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

The balance between funds and asset classes is the member's decision; this balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustee has made the following 3 funds available for members to select from:

UBS Life World (ex-UK) Equity Tracker Fund

UBS Life UK Equity Tracker Fund

UBS Life UK Fixed Interest Tracker Fund

Though the Scheme does not operate with a default investment strategy, the Trustee has identified two of the above funds (the UBS Life World (ex-UK) Equity Tracker Fund and the UBS Life UK Equity Tracker Fund) as "technical defaults" following the closure of the UBS Life Global Equity Index Tracker Fund.

The Trustee will continue to keep the fund range under review, and will make changes if appropriate.

Technical Default

In accordance with Section 4 – Restrictions on Charges of the Occupational Pension Schemes

(Charges and Governance) Regulations 2015 No. 879, the Fund has identified two of the Scheme's funds, the UBS Life Global (ex-UK) Equity Tracker Fund and the UBS Life UK Equity Tracker Fund, as "technical default" arrangements (as defined by these regulations).

The Scheme previously held investments in the UBS Life Global Equity Index Tracker Fund. However, in 2017 UBS closed this fund. Members' investments in this fund were subsequently split between the UBS Life World(ex-UK) Equity Tracker Fund (40%) and the UBS Life UK Equity Tracker Fund (60%).

These funds have therefore been identified as "technical defaults" as members' assets have been automatically directed to these funds without members having instructed the Trustee where their assets are to be invested. We believe the funds qualify as "default arrangements" because at least one member of the Scheme had been invested in the UBS Life Global Equity Index Tracker Fund for more than 5 years at the time of closure and did not specify where their assets should otherwise be invested.

The UBS Life World (ex-UK) Equity Tracker Fund invests in a range of international equities from developed markets and aims to track the performance of the FTSE Developed ex-UK Index.

The UBS Life UK Equity Tracker Fund invests solely in UK-based equities and aims to track the performance of the FTSE All-Share Index.

Both these funds are therefore aiming to provide capital growth to members' savings and offer a greater level of risk exposure compared to other funds available to members.

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

Illiquid Policy

The Trustee believes there may be financial advantages to investing in illiquid assets. However, the Trustee identifies the following challenges:

- 1. Illiquid assets have greater fees and transaction costs than liquid assets, which may diminish the net profits for members.*
- 2. Illiquid assets may have longer lock-up periods or limited redemption windows, which may not meet the liquidity needs of DC members who want to access their pension pots on demand.*
- 3. Illiquid assets may have lower transparency and valuation frequency than liquid assets, making it more difficult for members to monitor their investment performance and risks.*

However, the Trustee intends to consult with its investment adviser and investment manager about growing investment in illiquid assets, as well as to review its illiquid investment policy on a regular basis.

Defined Benefit and Defined Contribution Sections

Investment Management Arrangements

The Trustee has appointed Mobius Life as the platform provider for the Defined Benefit Section of the Scheme. The Trustee then selects the underlying investment funds. The Defined Contribution Section of the Scheme is invested with the manager, UBS. Both Mobius Life and the investment managers of the investment funds are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments.
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the beliefs contained within this statement, so far as reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	The Trustee receives a quarterly performance report from the platform provider which details information on the underlying investments' performance, strategy and market data, which are considered at the relevant Trustee meeting.	There are significant changes made to the investment strategy. Underperformance vs the performance objective over the period that this objective applies.

Environmental, Social, Corporate Governance factors and the exercising of rights	<p>The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</p> <p>The Trustee receives information from its investment advisers on the investment managers' approaches to engagement.</p> <p>The Trustee will engage, via its investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.</p>	<p>The manager has not acted in accordance with its policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>
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Through the engagement described above, the Trustee will work with its investment advisors and/or managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related Investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct Investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from its investment advisers.

Members' Views and Non-financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of the Scheme members and beneficiaries in relation to ethical considerations, social and environment impact, or present and future quality of life matters (defined as "non-financial factors").

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed:

Date: 2 October 2024

Appendix A – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations, some of which relate only to the DB section, that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 85% of interest rate and inflation risks on the Technical Provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.

Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors where possible.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Has a Responsible Investment ('RI') Policy / Framework 2. ESG factors implemented via the investment process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI signatory.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes where possible.
Non-financial	Any factor, save from the above, that is not expected to have a financial impact on the Scheme's investments.	Such matters are not taken into account in the selection, retention or realisation of investments.

Appendix B

The Trustee has the following policies, some of which relate only to the DB section, in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers.	The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none">○ As all of the funds are open ended, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy - How the Trustee expects investment managers to vote on its behalf.	The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on its behalf.
Engagement Policy - How the Trustee will engage with investment managers, direct	The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on its behalf.

assets and others about ‘relevant matters’.

The Trustee, via its investment advisers, will engage with managers about ‘relevant matters’ at least annually.

TWEFS Retirement Benefits Scheme

Investment Implementation Document (“IID”)

This Investment Implementation Document (“IID”) covers both the Defined Benefit and the Defined Contribution sections of the TWEFS Retirement Benefits Scheme (the “Scheme”) and details the policy of the Trustee relating to the implementation of the Scheme’s investment arrangements, based on the principles set out in the Scheme’s Statement of Investment Principles (“SIP”) dated 2 October 2024.

Defined Benefit (DB) Section

Investment strategy

The Scheme’s current investment strategy is invested according to the following broad asset allocation:

Asset Class	Proportion (%)	Expected Return (relative to fixed interest gilts) %
Liability Driven Investment (LDI) and Cash	39.0	0.0
Multi-Asset Credit	30.0	2.6
Diversified Growth Fund	10.0	3.5
Equity	21.0	4.0
Total	100.0	2.0

Note: 10 year assumptions as at 30 June 2024 relative to Bank of England 10 Year Gilts (net of management fees).

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Short-term returns in some asset classes may exhibit considerable variability.

Investment structure and mandates

The Trustee has appointed Mobius Life as the platform provider. The investment strategy and underlying funds are summarised in the table below. Custody is undertaken within each pooled fund. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Investment Manager	Proportion %
Insight Enhanced Selection LDI and Liquidity Funds	39.0
M&G Total Return Credit Investment Fund	30.0
Schroder Life Intermediated Diversified Growth Fund	10.0
L&G World Equity Index Fund	21.0
Total	100.0

Mobius Life (Platform Provider) fees (p.a.)

Asset Class	Fees %
LDI	0.075
Other Funds	0.050

Note: All Schemes with assets under £150m will incur an additional policy administration fee of £3,000 p.a. for admin costs, this is accrued and taken quarterly. The policy administration fee is reviewed on 1 November every year in line with the annual Consumer Price Index.

Mandate objectives and fees (p.a.)

Asset Class	Manager	Objective	Fees %
LDI and Cash	Insight	Liability matching	0.10* and 0.08
Multi-Asset Credit	M&G	Outperform the benchmark (1 Month SONIA) by 3.0% to 5.0% p.a. (gross of fees) over a rolling 3 year period	0.40
Diversified Growth Fund	Schroders	ICE BofA + 4.5% p.a. (gross of fees)	0.60
Equity	L&G	To match the performance of the benchmark (FTSE World Index)	0.08
Total			0.34

Notes: Fees are shown as Total Expense Ratio (TER) with the exception of LDI, as noted below.

*Determined by the leverage of the fund multiplied by 0.10%. (e.g., weighted average leverage as at 30 June 2024 is 3.0x and therefore the Annual Management Charge (AMC) = 0.30% and TER = 0.36%).

Defined Contribution (DC) Section

Investment objective

The Trustees' objectives are to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are not required to establish a default investment strategy for the Scheme as the Scheme was not set up for auto-enrolment purposes. Instead, the Trustees offer a range of self-select options from which members may choose to invest their assets.

The Scheme requires members to self-select their own investments and the Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds.

Investment strategy

The investment objective is implemented through offering the following range of investment funds:

Fund Name	Objective	Benchmark Index
<i>UBS Limited</i>		
UBS Life UK Equity Tracker Fund	The Fund aims to match the performance of the FTSE All-Share Index. The Fund invests in the shares of UK companies.	FTSE All-Share Index (gross)
UBS Life World (ex-UK) Equity Tracker Fund	The Fund aims to match the performance of the FTSE Developed ex-UK Index, measured in Sterling. The Fund invests in a range of international equities, excluding UK equities.	FTSE Developed ex-UK Index (net GB official)
UBS Life UK Fixed Interest Tracker	The Fund aims to match the performance of the FTSE Actuaries Government Securities All Stocks Gilt Index. The Fund invests in fixed interest securities issued by the British Government.	FTSE Actuaries Government Securities All Stocks Gilt Index

The UBS Life Over 15 Years Gilt Index fund, which was previously available for members of the Scheme to self-select, has since been liquidated and is no longer available to members.

The Trustee offers a small range of traditional investment funds to allow members, if they wish, to choose funds that will suit their particular circumstances and risk tolerances. The benefit which members receive at retirement is dependent upon the accumulated value of their investments. The risks and rewards of investment are therefore borne by the Scheme members.

Signed:

Date: 2 October 2024