Chair's DC Governance Statement, covering 1 January 2023 to 31 December 2023 (the Fund year)

1. Introduction

The Credit Suisse Group (UK) Pension Fund (the "Fund") is an occupational pension scheme providing both defined benefit and defined contribution ("DC") benefits. A DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments (or is invested in the default option), as well as bearing the investment risk).

DC benefits in the Fund are provided mainly under the DC Plus section of the Fund but there are also a number of legacy DC sections, namely:

- Money Purchase section
- BZW Money Purchase section
- Donaldson, Lufkin & Jenrette International Savings – Defined Contribution section
- CSAM section

. Some members also have Additional Voluntary Contributions ("AVCs").

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option;
- processing of core financial transactions (ie administration of the Fund);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Fund is assessed; and
- Trustee knowledge and understanding.

Until 31 July 2023, the trustee of the Fund was Credit Suisse First Boston Trustees Limited (the "Previous Trustee"). The Previous Trustee was replaced as trustee of the Fund with the appointment of a professional corporate sole trustee, Independent Trustee Services Limited (referred to as "ITS").

ITS was appointed as trustee of the Fund with effect from 1 August 2023. References to 'Trustee' in this Statement, in respect of the period prior to 1 August 2023, refer to the Previous Trustee and references to 'Trustee' in this Statement in respect of the period from 1 August 2023 to the end of the Fund year, refer to ITS.

The key points that the Trustee would like members reading this Statement to take away are as follows:

- The Trustee regularly monitors the investment arrangements and the Trustee is satisfied that the default and other investment options remain suitable for the membership. Over the Fund year, the Global ESG Focussed Equity Fund was added to the self-select range to give members access to an actively managed fund which explicitly take into account environmental, social and governance ('ESG') factors.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Fund year, and the Trustee remains comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and the Trustee remains comfortable that these fees are reasonable given the circumstances of the Fund and represent value for the benefits members obtain.
- Please rest assured that the Trustee is looking after your best interests as members, and the Trustee undertakes training and receive advice as appropriate so that the Trustee has sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Trustee has made available a range of investment options for members. Members who join the Fund and who do not choose an investment option are placed into the CSPF Drawdown Lifestyle Strategy (the "Default"). The Trustee recognises that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustee decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. In the case of the Fund's member population, the Trustee determined that most would be expected to take the maximum tax free lump sum and to draw benefits thereafter by means of drawdown from a portfolio including a significant proportion of return-seeking assets.

The BlackRock Money Market Fund is also classified as a temporary default. The Threadneedle Property Fund was temporarily suspended from trading between 20 March 2020 and 16 September 2020 as a result of the Covid-19 pandemic. Between these dates, members' contributions were redirected to the BlackRock Money Market Fund (formerly named the BlackRock Cash Fund). The suspension was lifted on 17 September 2020, in line with many other property managers who reopened their funds during September and October 2020. The BlackRock Money Market Fund remains as a default until such a point that it no longer contains defaulted assets. It continued to hold defaulted assets at the Fund year end.

The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and policies regarding the default arrangements are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Fund's SIP was updated on 10 July 2024 (i.e. following the Fund year end) to include wording on the Trustee's policy on illiquid investments, stewardship priorities and the addition of the Global ESG Focussed Equity Fund which was made available to members during the Fund year. This SIP is attached as Appendix 1 to this annual Statement. Please note that any reference to the SIP in this Statement is referring to the latest SIP dated 10 July 2024.

The Default was not formally reviewed during the Fund year . The last review commenced on 20 May 2021 and was completed on 1 October 2021. As part of this review, the Trustee considered the demographics of the Fund's membership, including how members were accessing their benefits at retirement, and whether the default arrangement remained appropriate.

Whilst most of the changes resulting from the review were implemented during the previous Fund year in March 2022, the Trustee agreed to add an active equity fund with an ESG focus, the addition of which was delayed due to developments in respect of the underlying fund. The review process continued over 2022 and early 2023 and the CSPF Global ESG Focussed Equity Fund was added to the self-select fund range at the end of April 2023.

The Trustee regularly monitors the performance of the Default and formally reviews the strategy at least every three years. The next review is currently underway and the Trustee will include details in next year's Statement.

In addition to triennial strategy reviews the Trustee also reviews the performance of the Default against its objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. The Trustee's reviews over the Fund year concluded that the default arrangement was performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

Asset allocation breakdown

The Trustee is required to calculate the percentage of the Fund assets within the Default arrangement allocated to each of the following asset classes. In line with DWP's guidance the Trustee has also shown this asset allocation for different ages as at the Fund year end. A retirement age of 60 has been assumed as this is the target retirement age for most members (c.94% as at 31 December 2023) in the Fund.

CSPF Drawdown Lifestyle Strategy

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.0	0.0	4.2	25.0
Corporate bonds (UK and overseas)	0.0	0.0	4.6	7.5
UK government bonds	0.0	0.0	9.2	15.0
Overseas government bonds	0.0	0.0	4.6	7.5
Listed equities	100.0	100.0	77.5	45.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure (direct)	0.0	0.0	0.0	0.0
Property (direct)	0.0	0.0	0.0	0.0
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

As mentioned above, the BlackRock Money Market Fund was also considered a temporary default during the Fund year. This Fund's allocation does not vary by age and it has a 100% allocation to cash.

3. Self select funds

The Fund also provides a range of self-select funds for members who wish to choose their own investments. Other than the addition of the Global ESG Focussed Equity Fund to the self-select range to give members access to an actively managed fund which explicitly take into account environmental, social and governance factors, there were no changes made to the range of self-select funds available to members during the Fund year.

The self-select range of funds was not formally reviewed during the Fund year but a formal review is currently underway and the Trustee will include details of this review in next year's Statement.

The performance of all self-select funds is monitored by the Trustee using quarterly investment reports provided by the Fund's appointed investment advisers, Lane Clark & Peacock LLP.

4. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Fund, Fidelity. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Fund, transfers of assets between different investments within the Fund, and payments to members/beneficiaries.

The Trustee recognises that delay and error can cause significant issues for members. The Trustee has received assurance from Fidelity that there are adequate internal controls to support prompt and accurate processing of core financial transactions, and this is reflected in the Fidelity AAF report dated 13 October 2023. An AAF report is a report prepared on the internal controls of an organisation which offers assurance over outsourced services, specifically elements which would affect financial reporting.

The Fund has a Service Level Agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. To help monitor whether service levels are being met, the Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. Any issues identified as part of the review processes are raised with the administrators immediately, and steps taken to resolve the issues.

As part of the reporting process, the Trustee Chief Operating Officer ("COO") to the Fund has received additional detail and explanations where transactions were not completed within the agreed SLAs and, prior to the appointment of the new Trustee, any exceptions were discussed with the Operations Working Group on a quarterly basis with the administrator in attendance. Following the new Trustee's appointment with effect from 1 August 2023, Operations meetings are now held monthly between the COO team and the administrator where such exceptions are discussed.

The administrator also monitors the quality of the work undertaken by its administration teams through an internal but operationally independent Quality Control team who ensure that the processing teams operate in a controlled environment by checking calculations and monitoring the existing procedures and controls.

Based on its review processes, the Trustee is satisfied that over the Fund year:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Fund year.

5. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum ("pa") figure and include any administration charges, since members incur these.

The Trustee is also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Fund's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The TER and transaction costs are the only costs borne by members.

The charges and transaction costs have been supplied by Fidelity, the Fund's platform provider. As at the time of writing, Fidelity has been unable to obtain transaction costs as at 31 December 2023 for the HSBC Islamic Fund, L&G Global Emerging Markets Index Fund, L&G Overseas Bond Fund and L&G

Ethical UK Equity Index Fund. Therefore, these transaction costs have been shown over the year to 30 September 2023. The Trustee (via its investment advisers) will continue to press Fidelity to provide transaction costs over the year to 31 December 2023.

When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations zero has been used where a transaction cost is negative to give a more realistic projection (ie the Trustee would not expect transaction costs to be negative over the long term).

Default arrangements

The default arrangement is the CSPF Drawdown Lifestyle Strategy. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Default charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18	0.04
15 years to retirement	0.18	0.04
10 years to retirement	0.18	0.04
5 years to retirement	0.17	0.03
At retirement	0.18	0.02

As noted earlier in the Statement, the BlackRock Money Market Fund is classified as a temporary default and so for the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

BlackRock Money Market Fund

Manager – Fund name	TER	Transaction costs
BlackRock Money Market Fund	0.23	0.02

Self-select and AVC options

In addition to the default arrangements, members also have the option to invest in two other lifestyles, targeting annuity purchase and cash withdrawal as well as several other self-select funds. The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below.

CSPF Annuity Lifestyle Strategy charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18	0.04
15 years to retirement	0.18	0.04
10 years to retirement	0.18	0.04
5 years to retirement	0.17	0.03
At retirement	0.17	0.03

CSPF Cash Lifestyle Strategy charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18	0.04
15 years to retirement	0.18	0.04
10 years to retirement	0.18	0.04
5 years to retirement	0.18	0.03
At retirement	0.23	0.02

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Self-select fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
Global ESG Aware Equity Fund	**0.18**	**0.04**
Passive Multi Asset Fund	**0.16**	**0.02**
BlackRock Money Market Fund	**0.23**	**0.02**
BlackRock Global 50/50 Index Fund	0.14	0.03
Global Equity Fund	0.18	0.03
BlackRock Over 15 Year Gilts Index Fund	0.14	0.03
BlackRock European Equity Index Fund	0.17	0.01
BlackRock Japanese Equity Index Fund	0.17	0.01
BlackRock Over 5 Years Index Linked Gilt Index Fund	0.14	0.03
BlackRock Pacific Rim Equity Index Fund	0.17	-0.01
BlackRock UK Equity Index Fund	0.15	0.09
BlackRock US Equity Index Fund	0.17	0.02
HSBC Islamic Fund[1]	0.51	-0.09
Global ESG Focussed Equity Fund[2]	0.59	0.06
L&G Global Emerging Markets Index Fund[1]	0.51	0.09
L&G Overseas Bond Fund[1]	0.26	-0.02
L&G Ethical UK Equity Index Fund[1]	0.35	0.05
Fidelity Corporate Bond Fund	0.40	-0.04
Threadneedle Property Fund	0.96	-0.02

[1]Please note that Fidelity has not been able to provide transaction costs over the year to 31 December 2023 for this fund. Transaction costs for the HSBC Islamic Fund have been shown over the year to 30 September 2023.
[2]The Fund was introduced during the Fund year at the end of April 2023. Please note that Fidelity has not been able to provide transaction costs over the year to 31 December 2023 for this fund. Transaction costs for the Global ESG Focussed Equity Fund have been shown over the year to 31 October 2023.

Charges and transaction costs for the Fund's AVC arrangements over the reporting period have not yet been received. The Trustee (directly and via its investment consultant) continues to follow-up with the AVC providers (via Fidelity, in their capacity as the Fund administrator) for this information.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustee had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration, unless otherwise stated, are those provided by the managers over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). However, please note that transaction costs average over three years has been used for the CSPF Global ESG Aware Equity Fund, as longer-term data is not available due to the Fund's inception date.
- The illustration is shown for the default (the CSPF Drawdown Lifestyle Strategy), as well as two funds from the Fund's self-select fund range. The BlackRock Money Market Fund is also shown as it is currently a temporary default. The two self-select funds shown in the illustration are:
  - the fund with highest annual member borne costs (TER plus Fund year transaction costs) – this is the Threadneedle Property Fund; and
  - the fund with lowest annual member borne costs – this is the BlackRock Pacific Rim Equity Index Fund.

Projected pension pot in today's money

	CSPF Drawdown Lifestyle Strategy		BlackRock Money Market Fund		Threadneedle Property Fund		BlackRock Pacific Rim Equity Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£132,700	£132,400	£127,600	£127,200	£130,100	£128,900	£135,300	£135,100
3	£139,500	£138,500	£123,800	£122,800	£131,500	£127,600	£147,800	£147,000
5	£146,500	£144,900	£120,100	£118,600	£132,800	£126,300	£161,400	£160,000
10	£165,800	£162,100	£111,300	£108,600	£136,100	£123,200	£201,100	£197,700
15	£187,600	£181,400	£103,200	£99,500	£139,600	£120,200	£250,600	£244,300
20	£212,200	£202,900	£95,700	£91,100	£143,100	£117,200	£312,300	£301,800
25	£232,900	£220,400	£88,800	£83,400	£146,700	£114,300	£389,200	£373,000
30	£239,600	£224,400	£82,300	£76,400	£150,400	£111,500	£485,000	£460,800

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long term annual inflation assumption used is 2.5%.

  The starting pot size used is £66,400. This is the approximate average (median) pot size for all members in the Fund.
- As approximately 96% of members are deferred and the Fund is closed to new entrants, no contributions have been assumed.
- The projection is for 30 years, being the approximate duration that the youngest Fund member has until they reach the scheme's Normal Pension Age.

- The projected annual returns used are as follows:
  - Default option: 2.5% above inflation for members furthest from retirement, moving to 0.0% for members at retirement.
  - BlackRock Money Market Fund: 1.5% below inflation.

    Threadneedle Property Fund: 0.5% above inflation.
  - BlackRock Pacific Rim Equity Index Fund: 4.5% above inflation.
- No allowance for active management outperformance has been made.

Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Fund year. The Trustee has had regard to the statutory guidance in preparing this Section.

Investment returns for the Fund's AVC arrangements (other than for Prudential) over the reporting period have not been received yet. The Trustee continues to follow-up with the AVC providers (via Fidelity, in its capacity as the DB administrator) for this information.

For arrangements where returns vary with age, such as for the default strategy, returns are shown over the Fund year for a member aged 25, 45 and 55 at the start of the period the returns are shown over. A retirement age of 60 has been assumed as this is the target retirement age for most members (c94% as at 31 December 2023) in the Fund.

Default lifestyle net returns over periods to Fund year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	15.5	8.5
45	15.5	8.5
55	11.8	4.8

Annuity lifestyle net returns over periods to Fund year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	15.5	8.5
45	15.5	8.5
55	7.3	-2.3

Cash lifestyle net returns over periods to Fund year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	15.5	8.5
45	15.5	8.5
55	8.6	3.8

Self-select fund net returns over periods to Fund year end

Fund name	1 year (%)	5 years (% pa)
Global ESG Aware Equity Fund[1]	15.5	-
Passive Multi Asset Fund	10.1	4.3
BlackRock Money Market Fund	4.6	1.3
BlackRock Global 50/50 Index Fund	11.1	8.7
Global Equity Fund[1]	16.1	-
BlackRock Over 15 Year Gilts Index Fund	1.4	-6.5
BlackRock European Equity Index Fund	15.1	10.2
BlackRock Japanese Equity Index Fund	13.9	7.1
BlackRock Over 5 Years Index Linked Gilt Index Fund	0.0	-5.0

Fund name	1 year (%)	5 years (% pa)
BlackRock Pacific Rim Equity Index Fund	4.2	6.2
BlackRock UK Equity Index Fund	6.5	5.9
BlackRock US Equity Index Fund	21.4	15.5
HSBC Islamic Fund	27.0	16.7
Global ESG Focussed Equity Fund[2]	-	-
L&G Global Emerging Markets Index Fund	5.6	4.0
L&G Overseas Bond Fund	-2.3	-1.5
L&G UK Ethical Equity Index Fund	7.1	6.1
Fidelity Corporate Bond Fund	9.7	1.4
Threadneedle Property Fund	0.1	0.1

[1]These funds were launched in March 2022, therefore five year performance information is not available.
[2]This fund was launched in April 2023, therefore one and five year performance information is not available.

AVC fund net returns over periods to Fund year end

Fund name	1 year (%)[1]	5 years (% pa)[1]
Prudential With-Profits Cash Accumulation Fund	1.5	1.2
Prudential Dynamic Growth I	7.8	[TBC]
Prudential Discretionary	8.3	5.0
Prudential Global Equity	8.1	6.3
Prudential International Equity	11.3	8.5
Prudential Deposit Fund	[TBC]	[TBC]
Phoenix Life Deposit Administration Fund	[TBC]	[TBC]
Scottish Friendly With-Profits Fund	[TBC]	[TBC]
Standard Life Pension Millennium With-Profits Fund	[TBC]	[TBC]
Standard Life With-Profits Fund	[TBC]	[TBC]

[1]At the time of writing, we are waiting on all with-profits providers excluding Prudential to provide the investment return information. We have also queried the Prudential Deposit figures and 5 year return figures for the Prudential Dynamic Growth I Fund with Prudential and are awaiting a reply. The Trustee continues to follow up for this information via its investment adviser.

6. Value for members assessment

The Trustee is required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Fund. The date of the last review was 8 May 2024. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Its investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

The assessment included a review of the performance of the Fund's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

In carrying out the assessment, the Trustee also consider the other benefits members receive from the Fund, which include

- the Trustee's oversight and governance, including ensuring the Fund is compliant with relevant legislation, and holding regular meetings to monitor the Fund and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Fund website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

The Trustee believes that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, the Trustee believes that members of the Fund are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section. The Trustee continue to assess and look for ways to improve value for members and plan to undertake a review of the investment arrangements over the upcoming Fund year as well as completing its review of the Fund against the Pensions Regulator's General Code.

7. Trustee knowledge and understanding

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Fund effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the Fund year are set out below.

As mentioned earlier, with effect from 1st August 2023, ITS, part of the Independent Governance Group (IGG), became the sole professional trustee of the Fund, replacing the Previous Trustee.

The ITS Board authorised Chris Martin and Akash Rooprai to be the nominated trustee directors to act on behalf of ITS as trustee of the Fund.

Both Chris and Akash are accredited professional trustees, accredited by the Association of Professional Pension Trustees ("APPT") and, as such are obliged to carry out a minimum number of hours of continuous professional development ("CPD") each year to maintain their accreditation with the APPT. This CPD is documented, logged and shared with the APPT each year as part of the professional trustee accreditation renewal process.

IGG has a rigorous technical training programme in place for all staff with regular training sessions usually held weekly. During the Fund year , the Trustee received training on multiple topical pensions matters as well as focused training on climate change, which involved 6 two hour sessions. This training was completed in March 2024.

During the Fund year up to 31st July 2023, regular training was provided to the Previous Trustee on aspects of the Trustee Knowledge and Understanding requirements from the Fund advisers. The Previous Trustee also undertook training relating to topical items or specific issues under consideration. .

In relation to both the Previous Trustee in respect of the part of the Fund year up to 31st July 2023, and ITS in respect of the part of the Fund year following its appointment on 1st August 2023 the Trustee can confirm that-

- The Trustee regularly considered training requirements to identify any knowledge gaps and then worked with the Trustee's advisers to undertake appropriate training to address those gaps.
- The Trustee's advisers proactively raised any changes in governance requirements and other relevant matters which arose during the Fund year. The Trustee's advisers also delivered training on such matters at Trustee meetings where needed..
- The Trustee is familiar with and has access to copies of the Fund's governing documentation and documentation setting out its policies, including the Trust Deed and's Rules and SIP (which sets out the policies on investment matters). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any

changes to the Fund, and the SIP is formally reviewed annually and as part of making any change to the Fund's investments.

- The Trustee believes that it has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil its duties.

- Considering the Trustee's knowledge and experience, the training it has undertaken and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustee believes that it is well placed to exercise its functions as Trustee of the Fund properly and effectively.

Approved by the Chair of the Trustee of the Credit Suisse Group (UK) Pension Fund

Signed: Chris Martin

30th July 2024

Statement of Investment Principles for the Credit Suisse Group (UK) Pension Fund

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Credit Suisse Group (UK) Pension Fund ("the Trustee") on various matters governing decisions about the investments of the Credit Suisse Group (UK) Pension Fund ("the Fund"), a scheme with Defined Benefit ("DB") and Defined Contribution ("DC") sections; the Final Salary and Money Purchase Section, respectively. This SIP replaces the previous SIP dated 6 June 2022.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Regulator's guidance for defined benefit pension schemes (March 2017) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Fund's Investment Adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Fund, and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

- Appendix 1 sets out details of the Fund's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- Appendix 2 sets out the Trustee's policy towards risk appetite, measurement and management.

2. Investment objectives

2.1. Final Salary Section

The primary objective for the Final Salary Section is to ensure that the Fund should be able to meet benefit payments as they fall due. In practice, this means that the Trustee expects, with a high degree of confidence, that the Fund's assets meet its technical provisions plus a sufficient margin to allow for the possibility that future benefit obligations may exceed those assumed at the most recent valuation date ("self-sufficiency basis"), or (when there is a funding deficit on this basis) that there is an appropriate recovery plan in place and/ or that sufficient reserve assets (e.g. contingent contribution assets or assets held in escrow) are available to the Trustee to make up any shortfall.

To do so, the Trustee recognises that it must take into account the employer's position in relation to the Fund and, in particular, its attitude to risk.

In addition to this primary objective, the Trustee has a series of secondary objectives. These are as follows:

- The Fund's assets should deliver sufficient returns to achieve the long-term funding objective of full funding on a self-sufficiency basis by 2035. The Trustee looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving the return target.
- The Trustee invests in a range of asset classes with appropriate liquidity, security and diversification characteristics which seek to generate sufficient income and capital growth to meet the cost of benefits without any further contributions from the employer, given the current strong funding position.
- The Fund hedges interest rate and inflation risk arising from the Technical Provisions Value of the liabilities. Details of this, including the target level of hedging, are outlined in the Fund's Investment Policy Implementation Document.

2.2. Money Purchase Section

The Trustee's primary objectives for the Money Purchase Section are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Money Purchase Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employer, reviewed the investment strategy for the Final Salary and Money Purchase Sections in 2021, taking into account the objectives described in Section 2 above.

3.1. Final Salary Investment Strategy

The investment strategy resulting from the review of the Final Salary Section is outlined in the Investment Policy Implementation Document ("IPID").

The Trustee expects to use any future employer contributions and disinvestments to rebalance the Fund's assets to match the target asset allocation within agreed tolerances. The progress against the target asset allocation is monitored on a quarterly basis.

3.2. Money Purchase Investment Arrangements

For the Money Purchase Section of the Fund, the Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age). There are another two "lifestyle" investment strategies available to members, details of which can be found in the IPID.

The default option was designed to be in the best interests of the majority of the members based on analysis of the demographics of the Fund's membership carried out when the strategy was reviewed in 2021. The default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return above inflation, and then in the 10 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

During the temporary suspension of the Threadneedle Property Fund between 18 March 2020 and 16 September 2020, a decision was taken to temporarily redirect contributions into the CSPF Money Market Fund. As relevant members' contributions were directed into this fund without them making an active selection, this fund has been treated as a default arrangement for the purpose of fulfilling legislative requirements since March 2020. The CSPF Money Market Fund will remain a default until such a point that it no longer contains defaulted assets. It continued to hold defaulted assets as at April 2024.

The objective of the CSPF Money Market Fund is to produce a return in excess of its benchmark (SONIA Overnight). The fund is aimed at short-term investors seeking capital stability, a good degree of liquidity and minimum volatility of returns. The fund invests in short maturity instruments, typically overnight deposits and repurchase agreements, certificates of deposit, commercial paper and fixed/floating rate bonds, with a maximum maturity of 2 years.

4. Considerations in setting the investment arrangements

When deciding how to invest the Fund's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

Some of the Trustee's key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that are typically not rewarded should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value
- long-term environmental, social and economic sustainability is one of many factors that the Trustee should consider when making investment decisions; and

- costs have a significant impact on long-term performance.

4.1. Final Salary Section

In setting the strategy for the Final Salary Section the Trustee took into account:

- the Fund's investment objectives, including the target return required to meet the Trustee's investment objectives;
- the best interests of members and beneficiaries;
- the circumstances of the Fund, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Fund's overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

4.2. Money Purchase Section

In determining the investment arrangements for the Money Purchase Section the Trustee took into account:

- the best interests of members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Our policy regarding investments in illiquid assets in the DC default arrangements is set out below. Illiquid assets mean assets that cannot be easily or quickly be sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

The DC default arrangements do not currently include any investments in illiquid assets.

We believe that long-term net risk-adjusted investment returns may be improved by investing in illiquid assets. However, illiquid assets in DC pension schemes is a relatively new and developing area. Because of this we wish to see further performance track record of illiquid funds available to DC schemes before we invest member assets in them. Therefore, at this time it is our policy not to invest in illiquid assets within the DC default arrangements. However, with the support of our investment advisers, we intend to consider investment in illiquid assets as part of our regular reviews of the default arrangements.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate IPID.

The Trustee has limited influence over managers' investment practices, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

5.1. Money Purchase Section

In respect of the Money Purchase Section, the Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct contract between the Fund and the underlying investment managers of the Money Purchase Section investment funds.

The Trustee has signed agreements with the platform provider in respect of the Money Purchase Section setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Fund's investments.

The Trustee and investment managers, to whom discretion has been delegated, exercise their powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Fund within the portfolios that they manage, and in considerations relating to the liquidity of investments.

6.1. Final Salary Section

For the Final Salary Section, when appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. A working cash balance is held for imminent payment of benefits and expenses.

The Trustee's preference is for investments that are readily realisable, but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, the Trustee's policy is to use cash flows to rebalance the Fund's assets towards the strategic asset allocation (as set out in the accompanying IPID), and also receive income from some of the portfolios where appropriate.

6.2. Money Purchase Section

For the Money Purchase Section, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. The Fund Administrator will disinvest assets as instructed, according to members' entitlements.

7. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") should be taken into account in the selection, retention and realisation of investments since it recognises that these factors can be relevant to investment performance and are therefore considered as financial factors.

The Trustee considers it is necessary to act in the best financial interests of Fund members and therefore it expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations), taking into account the nature and time horizon of the investments. It seeks to appoint managers, with the assistance of its Investment Advisor, that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee cannot usually directly influence investment managers' policies on ESG and ethical factors where assets are held in pooled funds; this is due to the nature of these investments. The Trustee seeks to encourage its managers to improve their practices where appropriate through engaging with them on these issues.

The Fund's Investment Adviser reviews the fund managers' ESG polices on a regular basis as part of its manager research process. The Investment Adviser assigns a score from 1 (weak) to 4 (strong) taking into account the manager's approach to managing ESG-relating risks and its stewardship practices such as exercising voting rights and engaging with company management. The Trustee reviews the RI scores assigned to the funds used within the Fund's investment strategy on an annual basis and before appointing new managers.

The Trustee also receives presentations from its managers on how ESG-related issues are taken into account in their investment processes. The Trustee will challenge the fund manager's approaches where appropriate and will report on ESG-related issues in relation to the Fund's investment strategy as part of its annual Implementation Statement.

The Trustee does not take into account any non-financial factors (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) when making investment decisions.

8. Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. The Trustee expects its investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

The Trustee monitors managers' activities in relation to ESG factors, voting and engagement on a regular basis. It seeks to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with their expectations.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities and these have been taken into account in the Implementation Statement for Fund Years to 31 December 2022 onwards). The Trustee reviews the themes regularly and updates them if appropriate. It communicates these stewardship priorities and their more general expectations in relation to ESG factors, voting and engagement to its managers periodically.

If the Trustee’s monitoring identifies areas of concern, the Trustee will engage with the relevant manager to encourage improvements.

9. Additional voluntary contributions (AVCs)

In addition to being able to invest AVCs with Fidelity, the Fund has a further four AVC providers:

- Scottish Friendly
- Phoenix Life Limited
- Prudential
- Standard Life

Members can invest across a selection of With Profits and Unit Linked funds as part of these AVC arrangements.

10. Money purchase underpin

Certain categories of member have Final Salary benefits with a Money Purchase underpin, where the money purchase element is a notional money purchase fund and the value varies in line with the returns on the Fund's Final Salary assets.

Approved by the Trustee of the Fund

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Fund overall. The Trustee's investment powers are set out within the Fund's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting out the risk parameters, in consultation with the employer;
- setting the investment strategy, in consultation with the employer;
- developing a mutual understanding of investment and risk issues with the employer;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing, monitoring, reviewing and dismissing investment managers, investment advisers, Scheme Actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Platform provider – money purchase section

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation.

- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- providing the Trustee / investment platform provider with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment Adviser

In broad terms, the Investment Adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- the Final Salary Section, advising on how material changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- the Money Purchase Section, advising on a suitable fund range and default strategy for the Fund, and how material changes to legislation or within the Fund's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in reviews of this SIP.

The details of the Investment Adviser's appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustee and the Investment Adviser.

5. Scheme Actuary

The Scheme Actuary is responsible for performing valuations for the Fund's Final Salary Section at least every three years, in accordance with regulatory requirements. The purpose of this is to:

- assess the extent to which the Fund's Final Salary Section assets cover the accrued liabilities; and
- to provide information that will assist the Trustee and employer in agreeing contribution rates.

The details of the Scheme Actuary's appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustee and the Scheme Actuary.

6. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Fund results in a range of charges to be met, directly or indirectly, by deduction from the Fund's assets.

The Trustee has agreed Terms of Business with the Investment Adviser, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receives fees calculated by reference to the market value of assets under management and also in some cases a performance related fee. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The Trustee has appointed a custodian in respect of some of the Fund's investments. The custodian fees are predominantly calculated on a fixed fee basis. The fee rates are believed to be consistent with the custodian's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Fund. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

7. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Fund's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

8. Working with the Fund's employer

When reviewing matters regarding the Fund's investment arrangements (such as the SIP), the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.

Policy towards risk

1. Final Salary Section

1.1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Fund in order to meet its investment objectives. Taking more risk is expected to mean that those objectives might be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee's aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- The strength of the employer's covenant and how this may change in the near/medium future;
- The Fund's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- The Fund's cash flow and target return requirements; and
- The level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Using assumptions as at December 2023, the Fund's 3 year 95% Value at Risk was £38m. This means that there is a 1 in 20 chance that the Fund's funding position will worsen by £38m or more over a three year period, compared to the expected funding position. The Trustee believes this level of risk to be appropriate for the investment strategy given the Trustee's and employer's risk appetite and capacity, given the Fund's objectives.

1.2. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

1.2.1. Risk of inadequate returns

For the Final Salary Section, a key objective of the Trustee is that, over the long-term, the Fund should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Fund to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Fund's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

1.2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Fund's assets. The Trustee believes that the Fund's Final Salary Section assets are adequately diversified between different asset classes and within each asset class. This was key consideration when determining the Fund's investment arrangements and is monitored by the Trustee on a regular basis.

1.2.3. Interest rate and inflation risk

The Final Salary Section's assets are subject to interest rate and inflation risk because some of the Fund's assets are held in bonds / interest rate swaps, as segregated investments. However, the interest rate and inflation exposure of the Fund's assets hedges part of the corresponding risks associated with the Fund's liabilities.

The Trustee considers interest rate, inflation and overseas currency risks to be generally unrewarded investment risks.

As a result, the Trustee aims to hedge the Fund's exposure to interest rate risk and the Fund's exposure to inflation risk (arising from the Technical Provisions value of the liabilities), by investing in a mixture of bonds as well as leveraged LDI arrangements managed by Insight Investment Management. The Trustee reviews the liability hedging arrangements periodically and may adjust the benchmark for the liability hedging portfolio so that it continues to provide an appropriate hedge for the Fund's liabilities. Details of the Fund's current hedging arrangements are outlined in the Fund's Investment Policy Implementation Document.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis. The Trustee will consult with the employer in respect of any proposed changes to the way that the hedging portfolio operates and, upon request; will provide the employer with a summary of any discussions held with the manager(s) of the Liability Hedging Portfolio in this regard.

1.2.4. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund is subject to credit risk because it invests in bonds via segregated funds. The Trustee manages its exposure to credit risk by agreeing investment guidelines with the investment manager which ensure the relevant portfolios have a diversified exposure to different credit issuers, and only invests in bonds that are classified as "investment grade" at purchase.

1.2.5. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise.

The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for its selected mandates.

1.2.6. Liquidity/marketability risk

For the Final Salary Section, this is the risk that the Fund is unable to realise assets to meet benefit cash flows as they fall due, or that the Fund will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Fund's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Fund's investments and by investing in income generating assets, where appropriate.

1.2.7. Collateral adequacy risk

The Fund is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee when requested to do so will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Fund's interest rate and inflation hedging could be reduced and that the Fund's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee ensures that the Fund has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

1.2.8. Swaps, and other derivative instruments

Within the Final Salary Section there are risks associated with Over the Counter ("OTC") and Exchange Traded derivatives, which include (but may not be limited to) counterparty, liquidity and leverage risks. The Trustee has appointed investment managers to manage these risks and actively collateralise any positions to reduce the risk of counterparty default to the Fund. The Trustee is aware that derivative instruments may not be transparent in their pricing and OTC elements may have limited liquidity.

1.2.9. Currency risk

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

1.2.10. Stock lending risk

The Trustee has taken steps to manage the risks associated with the appointed investment managers or the custodian lending the assets of the Fund to third parties. The Trustee recognises that this can be a source of incremental returns and are comfortable with appointed investment managers and custodian engaging in stock lending provided that there are appropriate controls in place.

1.2.11. Risk from excessive charges

The Trustee is comfortable that the charges applicable to the Fund are in line with market practice and assess regularly whether these represent good value for members.

1.2.12. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Fund's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

1.2.13. Other non-investment risks

The Trustee recognise that there are other, non-investment, risks faced by the Fund, and takes these into consideration as far as practical in setting the Fund's investment arrangements as part of its assessment of the other aspects of the Fund's Integrated Risk Management framework, namely funding and covenant.

Examples for the Final Salary Section include:

- funding risk (the risk that the agreed funding plan is not borne out in practice); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Fund as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Fund's funding position falls below what is considered an appropriate level. The Trustee regularly reviews progress towards the Fund's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

2. Money purchase section

2.1. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1.1. Risk of inadequate returns

In the Money Purchase Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

2.1.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect assets. The Trustee believes that the Fund's Money Purchase default strategy is adequately diversified between different asset classes and within each asset class and the Money Purchase options provide a suitably diversified range for members to choose from. This was key consideration when determining the Fund's investment arrangements and is monitored by the Trustee on a regular basis.

2.1.3. Liquidity/marketability risk

For the Money Purchase Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

2.1.4. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for its selected mandates.

2.1.5. Risk from excessive charges

Within the Money Purchase Section, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Fund are in line with market practice and assess regularly whether these represent good value for members.

2.1.6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Money Purchase Scheme is subject to credit risk because a number of options available to members invest in bonds. Credit risk is mitigated by the investment managers ensuring that the relevant portfolios have a diversified exposure to different credit issuers.

2.1.7. Currency risk

The Money Purchase Section is subject to currency risk because some of the options available involve investing in overseas markets. Members should consider their overseas currency exposure in the context of their overall investment strategy. The Trustee believes that the currency exposure that exists within the default strategy diversifies the strategy and is appropriate. Furthermore, a number of the options available manage the amount of currency risk by hedging currency exposure.

2.1.8. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Fund's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to provide investment options to the Money Purchase Section which will manage these risks appropriately on members' behalf and from time to time the Trustee reviews how these risks are being managed in practice.

2.1.9. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Fund, and takes these into consideration as far as practical.

For the Money Purchase Section, the Trustee has conducted due diligence into areas such as the structure of funds available to members, risk management processes of the fund managers and custodian arrangements. The Trustee is therefore satisfied with the security of assets held within this section and believes that the impact of the Financial Service Compensation Scheme not applying in certain circumstances is a relatively remote risk.