IBM PENSIONS TRUST

IBM Pension Plan (The Plan)

Annual Chair's Statement for the year ended 31 December 2020

This statement has been prepared by the Trustee of the Plan in accordance with regulation 23 of the occupational pension schemes (scheme administration) regulations 1996.

Regulations require the Trustee to prepare a statement showing how they have met certain minimum governance standards in relation to Defined Contribution (DC) benefits. As Co-Chair of the Trustee, I have provided details of how the Trustee has embedded these standards during the period beginning 1 January 2020 and ending on 31 December 2020 (the “Plan year”).

This statement covers five key areas:

- The investment strategy relating to the Plan’s default arrangement(s);
- The processing of core financial transactions;
- Charges and transaction costs within the Plan;
- Value for Members assessment; and
- The Trustee’s compliance with the statutory Trustee knowledge and understanding (“TKU”) requirements.

This statement will be published on a publicly available website (https://www.smartpensionsuk.co.uk/#/page/governance-documentation) and the information concerning cost disclosures will be signposted in the annual benefit statements.

Contents

1 Investment Principles

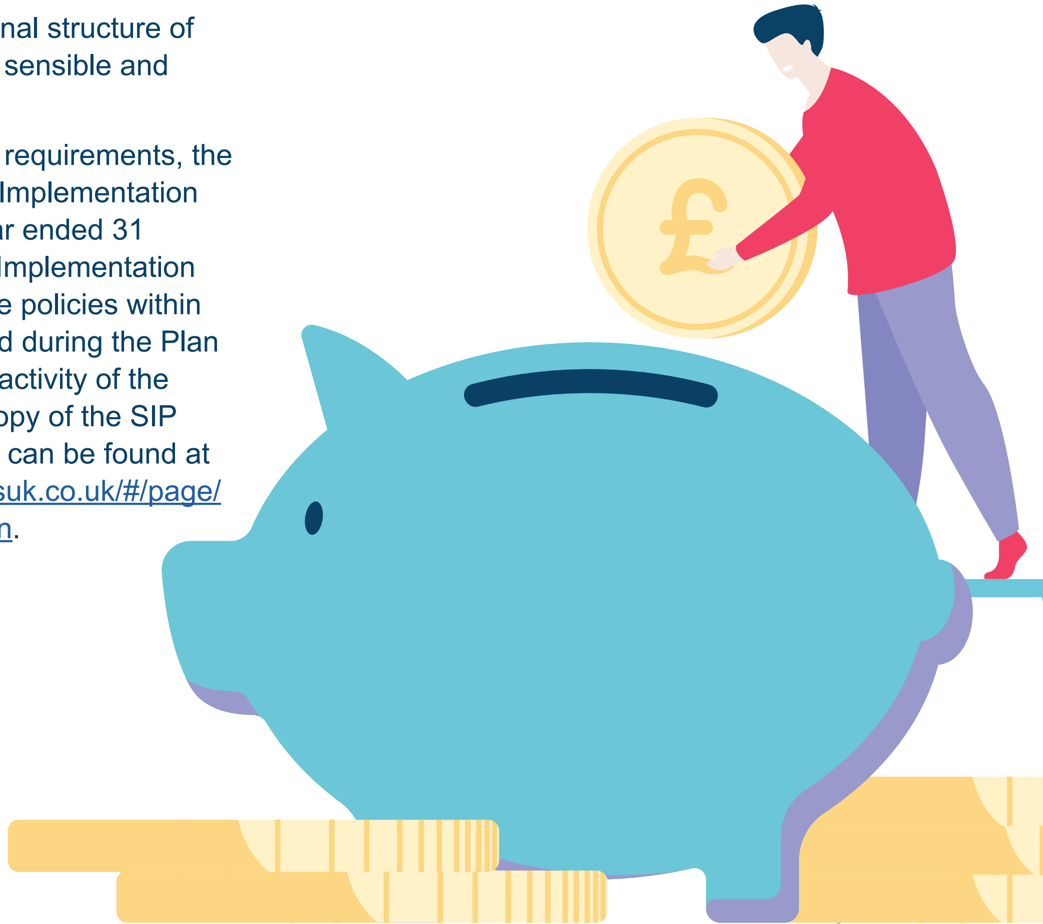
1.1 The Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

1.2 The Trustee's Statement of Investment Principles ("SIP"), attached to this Chair's Statement, and the accompanying Investment Policy Implementation Document ("IPID") have been prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and were last updated in September 2020. Specific reference to the investment principles overarching the Defined Contribution ("DC") Section of the Plan and further details of the Plan's default investment arrangement(s) can be found in Sections 10 - 18 of the SIP and Schedule C of the IPID. The SIP (Sections 19 – 22) and IPID (Schedule C) also include the aims and objectives of other default investment arrangements in the Plan.

1.3 The Trustee seeks to:

- Offer suitable default investment arrangements and self-select ('Freestyle') investment options which are appropriate for members based on their expected risk tolerances and retirement objectives;
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions; and
- Ensure that the operational structure of the Plan's DC section is sensible and cost-effective.

1.4 In line with new regulatory requirements, the Trustee has drafted a SIP Implementation Statement for the Plan year ended 31 December 2020. The SIP Implementation Statement sets out how the policies within the SIP have been followed during the Plan year along with the voting activity of the investment managers. A copy of the SIP Implementation Statement can be found at https://www.smartpensionsuk.co.uk/#/page/governance-documentation.

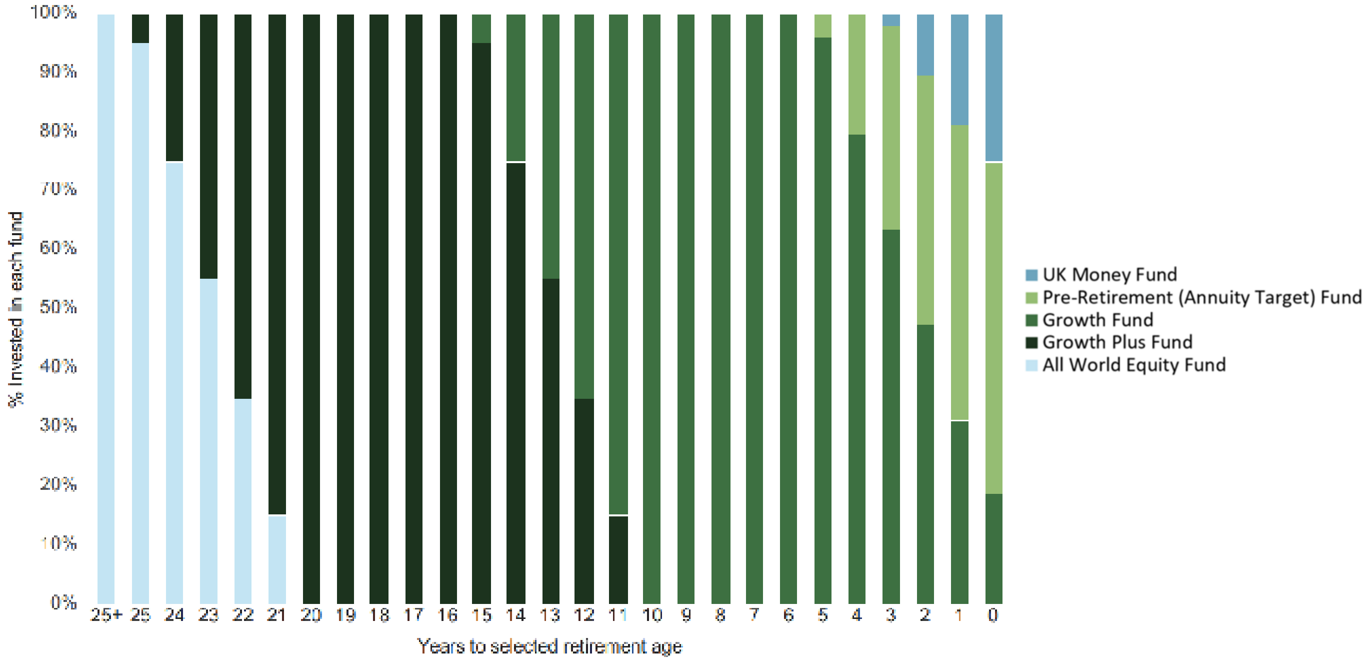


2 DC Section Investment Arrangements

2.1 During the 2020 Plan year, DC investment arrangements were managed by Legal & General Investment Management Limited ("LGIM") with the underlying assets being held with Legal & General Assurance (Pension Management) Limited ("LGPML"). Both LGIM and LGPML are authorised and regulated by the Financial Conduct Authority ("FCA"). In the first quarter of 2021, the Plan's DC administration services were transferred to Legal & General Assurance Society Limited ("LGAS") as part of a 'bundled'[1] arrangement and as a result, the DC investments are now provided by LGAS but continue to be managed by LGIM.

Default Arrangement During the Plan Year – Lifecyle to Annuity

2.2 During the Plan year, the default investment arrangement for the Plan was the 'Lifecycle to Annuity' investment strategy which is aimed at members planning to take 25% of their DC savings as tax-free cash on retirement, using the remainder to buy an annuity. The structure of the default investment arrangement is further detailed below:



Source: LGAS

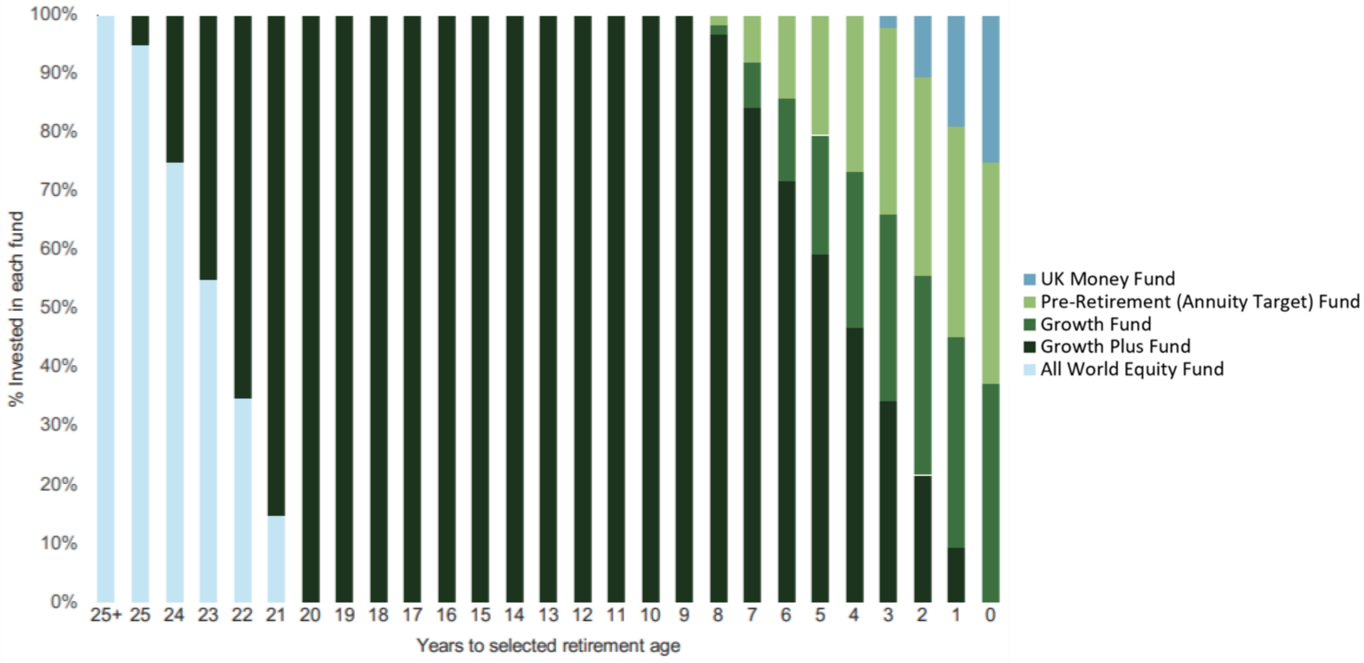
[1]A 'bundled' arrangement is where the administration and investment of the Plan's assets are provided by one provider – for the Plan this will be LGAS.

New Default Arrangement – Lifecycle Balanced 2020

2.3 The Trustee completed a review of the Plan's DC investment arrangements in 2019 (including a review of the default investment arrangement) and the final changes were agreed at the 18 December 2019 Investment Committee meeting. Following this review, the Trustee decided to change the default arrangement from the 'Lifecycle to Annuity' to the 'Lifecycle Balanced 2020' investment strategy to offer members increased flexibility at retirement. This new default arrangement was launched in the first quarter of 2021 alongside the move to the new bundled arrangement with LGAS.

2.4 This new default Lifecycle Balanced 2020 strategy incorporates a mixed annuity and drawdown target in addition to maintaining the 25% allocation to the Money Fund in the expectation that most members will continue to take 25% of their DC savings as tax-free cash on retirement.

2.5 The structure of the new default investment arrangement is detailed below:



Source: LGAS

Alternative Investment Arrangements

2.6 During the Plan year, members were offered three Lifecycle investment strategies which respectively targeted annuity, cash, and drawdown retirement objectives. In addition to the Lifecycle Balanced 2020 strategy introduced in the first quarter of 2021, new versions of these Lifecycle strategies were also launched. These are:

- Lifecycle to Annuity 2020 strategy
- Lifecycle to Lump Sum 2020 strategy
- Lifecycle to Drawdown 2020 strategy

2.7 Unless members made their own investment choice, the majority of members were moved to the new Lifecycle 2020 strategies following their launch in the first quarter of 2021.

Legacy Default Arrangements

2.8 Certain members remain invested in legacy default investment arrangements, in particular those members close to retirement.

Additional Default Arrangements

2.9 In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the investment options shown in the table overleaf as ‘default arrangements’ (as defined by these regulations). These have been identified as ‘default arrangements’ as members’ pension savings have been directed to these funds without members instructing the Trustee where their pension savings are to be invested; this is due to historic fund mapping exercises and is further explained in the table overleaf. The performance of these funds is monitored on a quarterly basis, with a strategic review being carried out at least triennially.

Fund	Reason for identification as a 'default arrangement'	Aims & Objectives
Growth Plus Fund (DSL)	Following closure of the Consensus Fund (DSL) by LGIM in July 2016, and in accordance with advice received from its investment adviser, the Trustee mapped members' assets to the Growth Plus Fund (DSL).	This fund aims to provide members with a diversified exposure to different asset classes.
Money Fund	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM in May 2020 (following the closure of the Equitable Life With Profits Fund). DB AVCs for members aged 55 or over who did not make an active selection were mapped to the Money Fund.	The fund is designed to provide capital stability by investing in a diversified portfolio of high credit quality short term fixed income and variable rate securities. All holdings in the fund are Sterling denominated.
Lifecycle to Lump Sum Strategy	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM in May 2020 (following the closure of the Equitable Life With Profits Fund). DB AVCs for members under 55 who did not make an active selection were mapped to the Lifecycle to Lump Sum Strategy.	This strategy is aimed at members targeting a lump sum cash withdrawal at retirement.

Self-Select ("Freestyle") Fund Range

2.10 The Plan offers a range of Freestyle funds for members who wish to take a more active role in the investment of their DC pension savings. These funds comprise traditional and alternative asset classes (including more illiquid investments such as Infrastructure Equity and Global Real Estate Equity) at very competitive fees.

2.11 In the first quarter of 2021, the Trustee also introduced the LGIM Future World Fund to the Freestyle fund range.

2.12 The Trustee will continue to keep the investment arrangements under regular review and will amend them as appropriate based on analysis of the likely requirements of Plan members.

Investment Performance

2.13 The performance of each of the Plan's funds, including those funds used in the default investment arrangements, are reviewed by the Trustee at each quarterly meeting. This includes fund performance against benchmarks over both shorter and longer-term periods. The Trustee also obtains periodic updates from its investment adviser on factors that have impacted performance and on developments concerning the Plan's investment providers that may influence future performance, including changes of senior personnel.

2.14 The Trustee has been satisfied with the performance of the funds over the Plan year, which have performed in line with their underlying aims and objectives.

2.15 The Trustee periodically assesses the risks associated with foreign currency denominated investments with the most recent review conducted in 2020. This review included consideration of the unhedged currency exposure for the new DC investment options.

Security of Assets

2.16 In anticipation of the transfer of the Plan's administration and investments to the new bundled arrangement with LGAS, the Trustee commissioned its legal advisers, Sacker & Partners LLP, to revisit the position on the security of members' assets against loss. This review concluded that the overall position on asset security under the new bundled arrangement was acceptable relative to the security available in the wider market.

Environmental, Social and Governance

2.17 The Trustee believes that environmental, social, and governance ("ESG") factors, including climate change, can impact the performance of the Plan's investments over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations.

2.18 The Trustee believes that responsible ownership can add value to the Plan's assets in the long term and will therefore seek to appoint managers who demonstrate strong engagement credentials, where relevant to the portfolio.

2.19 The Plan's Freestyle fund range includes the LGIM Ethical UK Equity Index and the LGIM Ethical Global Equity Index Funds whose underlying investments exclude companies involved in business activities that do not comply with a range of ethical and environmental guidelines (and hence are expected to provide investment profiles more suitable to members who wish to express an ethical preference in their investments, as well as focusing on companies that are demonstrating good sustainability practices).

2.20 As noted in Section 2.11 above, the Trustee has introduced the LGIM Future World Fund to its Freestyle fund range in the first quarter of 2021. This ESG focused fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels in favour of companies which are less carbon intensive or who earn 'green revenues'. The fund also excludes shares issued by manufacturers of controversial weapons.

2.21 The Trustee has also set up an ESG sub-committee to focus on the development of its ESG policies and climate-related disclosures. Further details will be available in the 2021 Annual Report & Financial Statements which will be published in 2022.

3 Core Financial Transactions

3.1 The Trustee recognises the importance of processing financial transactions promptly and accurately, as failure to do so may have an adverse effect on member outcomes and may result in members disengaging with the Plan.

3.2 The Trustee therefore operates measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) are processed promptly and accurately. This includes:

- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between investment options available in the Plan; and
- Payments from the Plan to or in respect of members.

Service Level Agreement

3.3 During the Plan year a Service Level Agreement ("SLA") was in place between the Trustee and the administrator of the Plan (IBM Pensions Trust) for the administration services[2] that are provided to assist the Trustee in fulfilling its regulatory duties. The services in scope included:

- Secretarial and Trustee management services;
- Financial services (including the provision of timely and accurate processing of core financial transactions, and the collection and reconciliation of all contributions and onward transmission to the investment manager);
- Member administration;
- Service levels and timelines in respect of the administration service; and
- The preparation and provision of regulatory reporting requirements.

3.4 The Trustee reviews its SLA with IBM Pensions Trust on a triennial basis to determine whether the scope of responsibilities and tasks remains appropriate, and whether the targets set meet or exceed regulatory requirements. The most recent review was conducted in December 2018 and adopted in January 2019.

3.5 The Trustee's Governance Committee met quarterly during the Plan year to review performance against the SLA and other key operational measures, and to assess the outcome of the testing performed on key financial and operational controls associated with the processing of core transactions. The Governance Committee raised no concerns during their reviews.

3.6 Due to COVID-19, key process changes were made that enabled IBM Pensions Trust staff to run efficiently from home; this was highlighted to the Governance Committee.

[2]Note that as mentioned previously in this Statement, the administration services were transitioned from IBM Pensions Trust to LGAS in January 2021. A separate SLA is in place with LGAS.

Timeliness of Financial Transactions

3.7 During the Plan year, the timeliness of financial transactions was reported via the monthly Controls Reporting and the annual Plan Administration Report. The IBM Pensions Trust Manager and the Governance Committee reviewed both reports.

3.8 In 2020, DC contribution payments to IBM Pensions Trust were received and invested within three days. The majority of members had access to, and utilised, an automated online tool in order to facilitate their investment switches. Switch requests during the Plan Year were processed within two working days and the full end-to-end process was completed on average within four working days.

3.9 The IBM Pensions Trust Finance Manager approved accounting reconciliations for the full year by the end of February 2021, ensuring accuracy and integrity of the fund accounts.

Accuracy of Financial Transactions

3.10 During the 2020 Plan year there were a number of processes adopted by IBM Pensions Trust to help it achieve the SLA and increase transaction accuracy. This included the following:

- The Plan's bank account was monitored on an ongoing basis throughout each month;
- Payments made by IBM Pensions Trust were approved by delegated payment authorisers;
- Monthly reconciliations between member contributions received and those deducted from the members' payroll were overseen by a dedicated team within IBM Pensions Trust; and
- The Trustee reviewed the accuracy of members' records. A 95% accuracy target was agreed by the Governance Committee and the IBM Pensions Trust, and in 2020, this was achieved for both Common and Scheme Specific data, for the Plan.

3.11 In addition to the above, IBM Pensions Trust performed quarterly Sarbanes Oxley testing to ensure that processes and controls were compliant with IBM corporate requirements.

Business Continuity, GDPR and Cyber Security

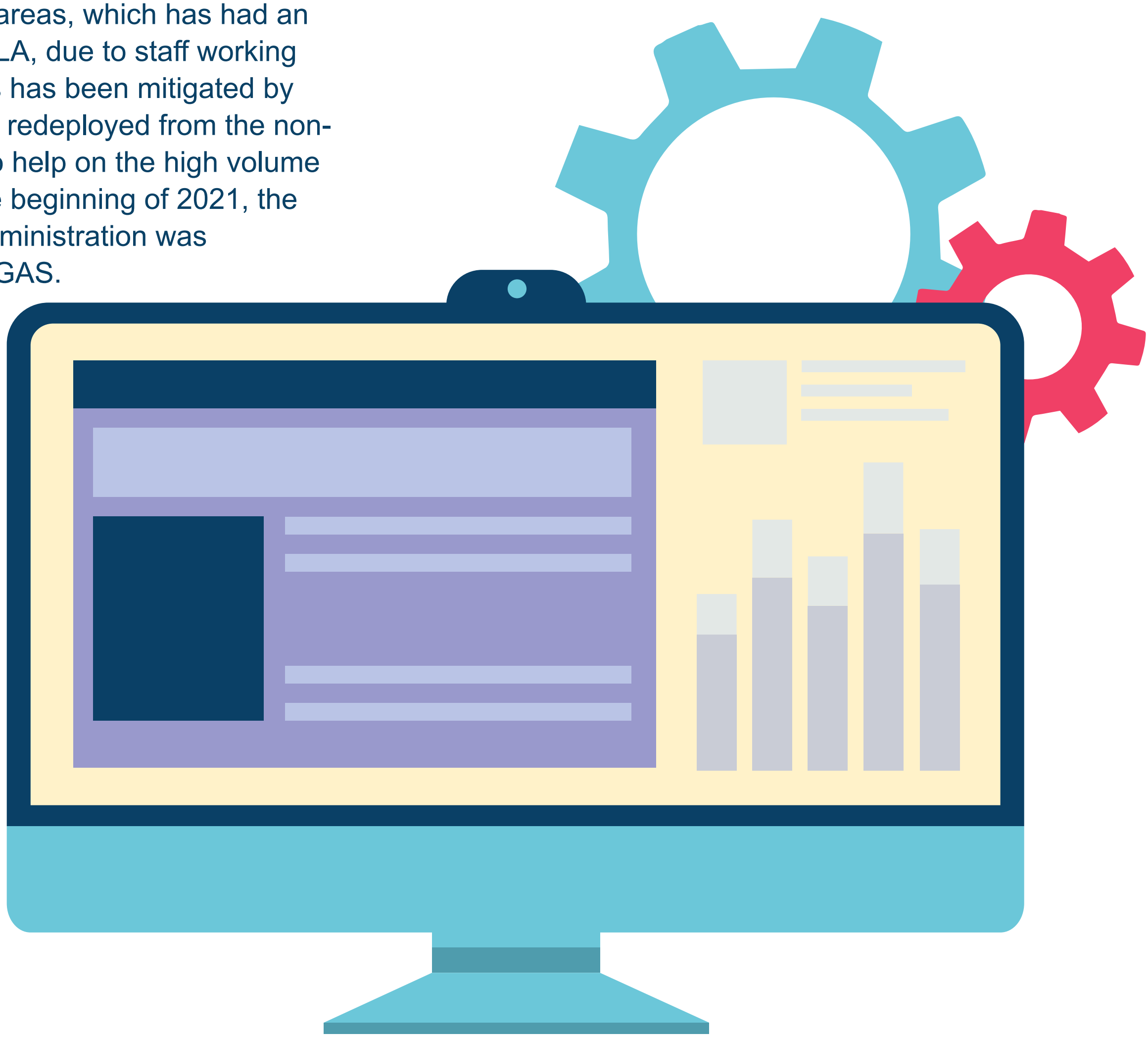
3.12 The Trustee also maintains a Business Continuity Plan ("BCP") to ensure that asset management and benefit management processes can be successfully restarted if a disaster were to occur that would compromise the running of the Plan's administration. Arrangements are in place for routinely reporting the results of the BCP revalidation and testing exercises to the Governance Committee.

3.13 With the COVID-19 pandemic hitting the UK during March 2020, in accordance with The Pension Regulator's guidance, IBM Pensions Trust was focused on ensuring that pensioners continued to be paid the correct pension, that bereavements continued to be handled sensitively, and that new retirements were handled effectively. In line with the pensions industry, 95% of the IBM Pensions Trust team were working from home, with a very small team in the office. Working practices were successfully amended to enable the majority of staff to work from home effectively for an extended period. Key vendors (including Custodian and Investment Managers) all continued with 'business as usual' services being provided, no issues were raised. The Governance Committee were updated on how IBM Pensions Trust managed the key processes during the pandemic.

3.14 General Data Protection Regulation ("GDPR") came into force on 25 May 2018 and affects all organisations that hold personal data including pension plans, and therefore the Trustee conducted a thorough review of its data processing and data protection policies. In doing so, it considered extensive legal advice, and the Trustee continues to closely monitor requirements, with data minimisation and retention being the key areas to address.

Summary

3.15 Overall, the Trustee is satisfied that all core financial transactions have been processed promptly and accurately during the Plan year. The Trustee is also satisfied that, given the processes and monitoring procedures noted above, it would be able to identify and respond to any material administration issues if they were to arise in the future. The global COVID-19 pandemic has presented challenges to IBM Pensions Trust; however, it has focused on ensuring that pensioners continued to be paid correctly, that bereavements continued to be handled sensitively, and that new retirements were handled effectively. Although IBM Pensions Trust has maintained its service, it has been slower in some areas, which has had an impact on the SLA, due to staff working from home. This has been mitigated by resources being redeployed from the non-services team to help on the high volume areas and at the beginning of 2021, the DC pensions administration was outsourced to LGAS.



4 Charges and Transaction Costs

4.1 The Trustee has a regulatory requirement[3] to report on the charges and transaction costs for the default and self-select arrangements and their assessment of the extent to which these charges and costs represent good value for members.

4.2 In assessing overall 'Value for Members', the Trustee believes that charges and costs should be considered alongside expected member outcomes. Charges and costs are an important consideration, but a number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Plan.

4.3 All funds attract ongoing fund charges and transaction costs which are deducted from the funds by the investment manager and which are further defined below.

4.4 Other than these ongoing fund charges and transaction costs, the employer, IBM United Kingdom Limited, covers the cost of all other expenses related to pensions management and administration services.

Charges

4.5 Ongoing fund charges include both the annual management charge ("AMC")[4], which is applied by LGIM as a percentage of the assets held within each fund to cover the cost of managing the investments, and other ongoing charges such as indirect fees. Taken together, these are known as the "total expense ratio" (or "TER") and are deducted via the unit price of each fund.

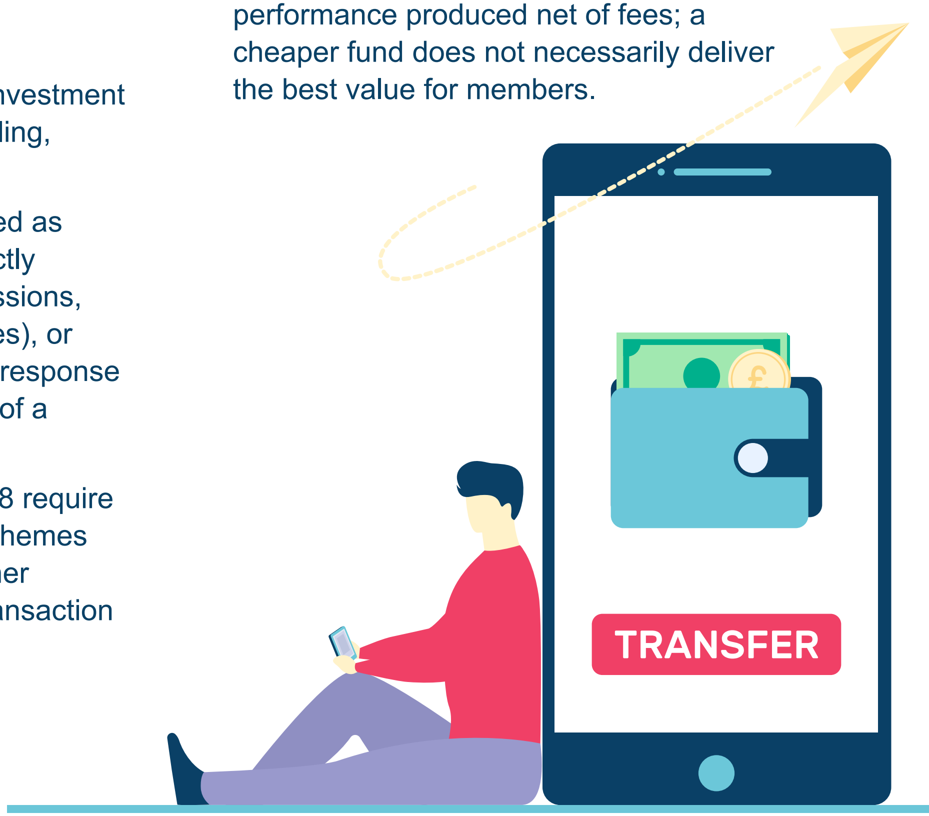
Transaction costs

4.6 Transaction costs are incurred by investment managers as a result of buying, selling, lending or borrowing investments.

4.7 These costs are typically categorised as being 'explicit' costs which are directly observable (such as broker commissions, transaction taxes and exchange fees), or 'implicit' costs which arise from the response of the market to trade or the timing of a trade.

4.8 FCA regulations since January 2018 require that firms managing DC pension schemes must be able to provide, among other things, information about implicit transaction costs calculated according to the 'slippage cost' methodology. These implicit costs are not explicitly deducted from the fund but are captured by a reduction in investment returns. They are therefore taken into account when net of fees performance is considered.

4.9 The Trustee fully supports transparency of costs for members. However, the key consideration for members is the performance produced net of fees; a cheaper fund does not necessarily deliver the best value for members.



[3] In accordance with regulation 25(1)(a) of the Administration Regulations 1996.
[4] The annual management charge ("AMC") is also referred to as the investment management charge ("IMC")

Charges and Costs by Fund

4.10 A regulatory charge cap of 0.75% per annum (p.a.) applies to all default investment arrangements. The default arrangement during 2020 was the Lifecycle to Annuity investment strategy which attracts a TER of between 0.08% p.a. and 0.13% p.a. of assets under management, depending on the stage at which a member's savings are invested within the strategy, and is well within the charge cap. The legacy default arrangements also attract TERs all below the charge cap.

4.11 As detailed in Section 2.9 the Plan had three additional 'technical defaults' during the Plan year which were created through historic fund mapping exercises. The costs and charges for these are set out below and are all below the charge cap of 0.75% p.a.:

(a) The Growth Plus Fund (for a small group of members of the Data Sciences section of the Plan) has a TER of 0.01% p.a.[5]

(b) The Money Fund has a TER of 0.06% p.a.

(c) The Lifecycle to Lump Sum Strategy has a TER ranging between 0.08% and 0.13% p.a. depending on the stage at which a member's savings are invested within the strategy.

4.12 All other investment options, including the alternative Lifecycle investment strategies and the Freestyle range of funds attract TERs that are well below the charge cap. The TERs for the individual funds range from 0.04% p.a. to 0.34% p.a. and are detailed in the table overleaf.

4.13 The new default arrangement (Lifecycle Balanced 2020 investment strategy) launched in the first quarter of 2021 attracts a TER of between 0.09% p.a. and 0.13% p.a. depending on the stage at which a member's savings are invested within the strategy.

4.14 The table overleaf provides details of both the AMCs (or IMCs) and TERs as at 31 December 2020 for the investment funds available to members during the Plan year and summarises the transaction costs incurred. Transaction costs shown in this table are based on the full slippage cost methodology[6] in compliance with the FCA's Conduct of business sourcebook rule 19.8 and are for the period from 1 January 2020 to 31 December 2020.

[5]Annual management charges for certain Data Sciences funds are borne by the Employer.
[6]Transaction costs are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments, and include both 'explicit' and 'implicit' costs. Implicit transaction costs are calculated using the 'slippage cost' methodology which compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative (beneficial to members) as well as positive.

Asset Class	Fund AMC (or IMC) (% p.a.)	Fund TER (% p.a.)	Transaction Costs (% p.a.)	Total of TER & Transaction Costs (% p.a.)
Multi-Asset Funds				
Growth Fund [1,2]	0.12	0.13	0.08	0.21
Growth Plus Fund [1,2]	0.13	0.13	0.10	0.24
Growth Plus Fund (formerly Consensus) [3]	0.13	0.13	0.10	0.24
Equity Funds				
Global Equity 70:30 Index Fund [2,3]	0.06	0.08	0.01	0.09
Global Equity 60:40 Index Fund [2,3]	0.06	0.08	0.00	0.08
All World Equity Index Fund [1,2]	0.09	0.09	0.06	0.15
World (ex-UK) Developed Equity Index Fund	0.06	0.07	0.03	0.10
UK Equity Index Fund	0.05	0.08	-0.03	0.05
World Emerging Markets Equity Index Fund	0.20	0.21	0.02	0.22
Cash Funds				
Money Fund [1,2]	0.05	0.06	-0.15	-0.09
Specialist Funds				
Global Real Estate Equity - GBP Hedged Fund	0.20	0.21	0.17	0.37
Ethical UK Equity Index Fund	0.15	0.16	0.02	0.17
Ethical Global Equity Index Fund	0.17	0.17	0.06	0.23
Infrastructure Equity MFG - GBP Hedged Fund	0.34	0.34	0.25	0.59
Emerging Market Debt Fund	0.18	0.18	0.07	0.24
Fixed Income Funds				
Over 15 year Gilts Index Fund [2]	0.04	0.04	0.04	0.08
Annuity Protection Index Fund [2,3]	0.04	0.04	0.08	0.12
Pre-retirement Fund [1,2]	0.07	0.07	0.03	0.10
Pre-retirement Inflation linked Fund	0.07	0.07	0.04	0.11
Investment Grade Corporate Bond All stocks Index Fund	0.07	0.07	-0.02	0.05
All Stocks Index Linked Gilts Fund	0.04	0.04	0.09	0.13

Source: LGIM. Figures may not sum due to rounding. This information relies upon data provided by third parties.
[1] Funds form part of the default Lifecycle to Annuity arrangement
[2] Funds are used within the legacy default investment arrangements
[3] Funds are closed to new member elections

The Compounding Effect of Charges and Costs on Members' DC Pensions Savings

4.15 The Trustee has prepared an illustration detailing the cumulative effect of charges and costs typically borne by a member of the Plan on their retirement savings pot using the charges and transaction cost data provided by LGIM and in accordance with regulatory requirements[7].

4.16 The latest regulatory guidance sets out that trustees and managers should present the impact of charges and costs typically paid by a member as a figure in pounds, or pounds and pence.

4.17 The illustration below has taken into account the following elements:

1) Savings pot size;
2) Salary increases and inflation;
3) Contributions;
4) Real terms investment return, gross of charges and costs;
5) Adjustment for the effect of charges and costs; and
6) Time

4.18 To illustrate the impact of charges on a typical member's pension pot, we have provided examples below:

- For the purposes of the charges and costs illustrations, all active members are assumed to contribute 15% of their salary per year to their pension (with salary expected to grow in line with inflation) and a member's retirement age is assumed to be 65. This may differ from your normal retirement age or your target retirement age.

[7] In accordance with regulation 25(1)(a) of the Administration Regulations 1996.

- Active members:

Younger (Age 28):	A starting annual Contribution of £6,900.	A starting fund value of £72,000.
Average (Age 50):	A starting annual Contribution of £12,800.	A starting fund value of £147,000.
Age 55:	A starting annual Contribution of £14,600.	A starting fund value of £185,000.

- Deferred members:

Younger (Age 28):	No ongoing contributions.	A starting fund value of £72,000.
Average (Age 50):	No ongoing contributions.	A starting fund value of £147,000.
Age 55:	No ongoing contributions.	A starting fund value of £185,000.

- The illustrations include all member costs, including the Total Expense Ratio, estimated transaction costs and inflation.

- The gross projected real growth rate for each fund is as follows:

i. Lifecycle to Annuity default arrangement during the Plan year (most popular):

a. All World Equity Index Fund	1.90% p.a.
b. Growth Plus Fund	1.70% p.a.
c. Growth Fund	0.40% p.a.
d. Pre-retirement Fund	-1.70% p.a.
e. Money Fund	-2.30% p.a.

ii. Lifecycle Balanced 2020 default arrangement from the first quarter of 2021 (most popular):

a. All World Equity Index Fund	1.90% p.a.
b. Growth Plus Fund	1.70% p.a.
c. Growth Fund	0.40% p.a.
d. Pre-retirement Fund	-1.70% p.a.
e. Money Fund	-2.30% p.a.

iii. Ethical Global Equity Index Fund (highest return over the previous 5 years)	1.60% p.a.
iv. Money Fund (lowest return over the previous 5 years)	-2.30% p.a.
v. Infrastructure Equity Fund (highest AMC)	1.70% p.a.
vi. Over 15 Year Gilts Index Fund (lowest AMC)	-2.30% p.a.

4.19 Active Members:

Younger (Age 28)

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilts Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£80,365	£80,253	£80,365	£80,253	£80,121	£79,962	£77,171	£77,125	£80,290	£79,897	£77,180	£77,140
3	£97,588	£97,209	£97,588	£97,209	£96,760	£96,227	£87,159	£87,014	£97,332	£96,014	£87,187	£87,061
5	£115,489	£114,783	£115,489	£114,783	£113,944	£112,958	£96,693	£96,443	£115,010	£112,569	£96,742	£96,524
10	£163,386	£161,573	£163,386	£161,573	£159,406	£156,913	£118,673	£118,136	£162,146	£155,955	£118,779	£118,310
15	£215,918	£212,448	£215,918	£212,448	£208,683	£204,085	£138,239	£137,388	£213,805	£202,353	£138,409	£137,665
20	£272,024	£265,729	£272,024	£265,729	£262,093	£254,710	£155,657	£154,475	£270,419	£251,972	£155,893	£154,860
25	£330,485	£320,557	£333,026	£322,964	£319,984	£309,039	£171,161	£169,640	£332,466	£305,036	£171,466	£170,136
30	£375,609	£362,230	£399,627	£384,814	£382,731	£367,345	£184,963	£183,098	£400,465	£361,785	£185,338	£183,707
35	£414,785	£398,017	£452,461	£433,260	£450,743	£429,918	£197,249	£195,043	£474,988	£422,473	£197,693	£195,763
37	£421,542	£404,082	£462,764	£442,515	£479,519	£456,211	£201,776	£199,436	£506,762	£447,913	£202,249	£200,200

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £72,000
3. Total contributions of 15% p.a. are assumed
4. Inflation is assumed to be 2.5% p.a. and increases to salary are assumed to be in line with inflation
5. Transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £80,365 before charges and costs and £80,253 after charges and costs. The same investment in *The Money Fund* would be worth £77,171 before charges and costs and £77,125 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £163,386 before charges and costs and £161,573 after charges and costs. The same investment in *The Money Fund* would be worth £118,673 before charges and costs and after £118,136 charges and costs.

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Average (Age 50)

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilts Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£162,508	£162,175	£162,508	£162,175	£162,283	£161,961	£156,283	£156,190	£162,626	£161,832	£156,302	£156,220
3	£192,931	£191,858	£194,354	£193,239	£193,596	£192,524	£174,215	£173,924	£194,751	£192,100	£174,272	£174,018
5	£222,006	£220,122	£227,338	£225,282	£225,936	£223,963	£191,331	£190,832	£228,075	£223,191	£191,429	£190,994
10	£291,774	£287,529	£312,381	£307,338	£311,494	£306,558	£230,793	£229,733	£316,929	£304,672	£231,003	£230,078
15	£350,909	£344,412	£379,242	£371,472	£404,229	£395,198	£265,921	£264,257	£414,308	£391,811	£266,252	£264,799

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £147,000
3. Total contributions of 15% p.a. are assumed
4. Inflation is assumed to be 2.5% p.a. and increases to salary are assumed to be in line with inflation
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £162,508 before charges and costs and £162,175 after charges and costs. The same investment in *The Money Fund* would be worth £156,283 before charges and costs and £156,190 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £291,774 before charges and costs and £287,529 after charges and costs. The same investment in *The Money Fund* would be worth £230,793 before charges and costs and £229,733 after charges and costs.

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Age 55

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilts Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£200,465	£200,112	£202,996	£202,579	£202,713	£202,311	£195,190	£195,073	£203,144	£202,152	£195,213	£195,111
3	£231,605	£230,460	£239,950	£238,567	£239,007	£237,676	£214,874	£214,513	£240,446	£237,154	£214,945	£214,630
5	£263,026	£260,975	£275,895	£273,454	£276,490	£274,054	£233,662	£233,046	£279,139	£273,109	£233,783	£233,247
7	£293,743	£290,722	£309,299	£305,792	£315,200	£311,474	£251,596	£250,716	£319,277	£310,042	£251,770	£251,002
10	£331,425	£327,246	£351,378	£346,461	£375,655	£369,625	£276,979	£275,687	£382,310	£367,335	£277,235	£276,108

Notes:

1. Projected pension pot values are shown in today’s terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £185,000
3. Total contributions of 15% p.a. are assumed
4. Inflation is assumed to be 2.5% p.a. and increases to salary are assumed to be in line with inflation
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member’s DC pension savings invested in *Lifecycle to Annuity* would be worth £200,465 before charges and costs and £200,112 after charges and costs. The same investment in *The Money Fund* would be worth £195,190 before charges and costs and £195,073 after charges and costs.

After 10 years, a member’s DC pension savings invested in *Lifecycle to Annuity* would be worth £331,425 before charges and costs and £327,246 after charges and costs. The same investment in *The Money Fund* would be worth £276,979 before charges and costs and £275,687 after charges and costs.

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Deferred Members:

Younger (Age 28)

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilts Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£73,404	£73,301	£73,404	£73,301	£73,169	£73,024	£70,344	£70,302	£73,331	£72,973	£70,353	£70,316
3	£76,294	£75,974	£76,294	£75,974	£75,566	£75,117	£67,145	£67,025	£76,068	£74,959	£67,170	£67,065
5	£79,298	£78,745	£79,298	£78,745	£78,040	£77,269	£64,092	£63,900	£78,908	£76,999	£64,132	£63,964
10	£87,335	£86,122	£87,335	£86,122	£84,587	£82,924	£57,053	£56,712	£86,478	£82,345	£57,123	£56,825
15	£96,087	£94,054	£96,087	£94,054	£91,683	£88,993	£50,787	£50,332	£94,775	£88,062	£50,880	£50,483
20	£105,016	£101,784	£105,016	£101,784	£99,375	£95,507	£45,209	£44,670	£103,868	£94,176	£45,320	£44,849
25	£113,765	£109,155	£114,656	£109,991	£107,711	£102,496	£40,244	£39,644	£113,833	£100,715	£40,367	£39,843
30	£117,274	£111,515	£125,180	£118,859	£116,747	£109,998	£35,824	£35,184	£124,754	£107,707	£35,956	£35,396
35	£118,707	£111,937	£130,753	£123,055	£126,541	£118,048	£31,889	£31,226	£136,723	£115,186	£32,026	£31,446
37	£116,727	£109,803	£129,761	£121,791	£130,685	£121,431	£30,439	£29,771	£141,826	£118,320	£30,578	£29,992

Notes:
1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £72,000
3. Total contributions of 0% are assumed
4. Inflation is assumed to be 2.5% p.a.
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £73,404 before charges and costs and £73,301 after charges and costs. The same investment in *The Money Fund* would be worth £70,344 before charges and costs and £70,302 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £87,335 before charges and costs and £86,122 after charges and costs. The same investment in *The Money Fund* would be worth £57,053 before charges and costs and £56,712 after charges and costs.

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Average (Age 50)

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilts Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£149,605	£149,298	£149,605	£149,298	£149,388	£149,091	£143,619	£143,533	£149,718	£148,987	£143,637	£143,562
3	£153,749	£152,831	£154,953	£154,001	£154,280	£153,364	£137,089	£136,842	£155,306	£153,041	£137,139	£136,924
5	£156,365	£154,857	£160,493	£158,852	£159,332	£157,758	£130,855	£130,463	£161,103	£157,206	£130,935	£130,593
10	£159,926	£156,993	£173,684	£170,200	£172,699	£169,304	£116,483	£115,786	£176,560	£168,121	£116,626	£116,018
15	£157,752	£153,738	£175,368	£170,522	£187,186	£181,695	£103,690	£102,761	£193,499	£179,793	£103,881	£103,069

Notes:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £147,000
3. Total contributions of 0% are assumed
4. Inflation is assumed to be 2.5% p.a.
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £149,605 before charges and costs and £149,298 after charges and costs. The same investment in *The Money Fund* would be worth £143,619 before charges and costs and £143,533 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £159,926 before charges and costs and £156,993 after charges and costs. The same investment in *The Money Fund* would be worth £116,483 before charges and costs and £115,786 after charges and costs.

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Age 55

Years	Lifecycle to Annuity (Default)		Lifecycle to Balanced (2020)		Ethical Global Equity Fund		The Money Fund		Infrastructure Equity Fund		Over 15 Year Gilts Index Fund	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	£185,835	£185,507	£188,278	£187,891	£188,421	£187,500	£180,767	£180,673	£188,005	£187,632	£180,745	£180,637
3	£187,516	£186,526	£195,009	£193,811	£195,454	£192,603	£172,590	£172,319	£194,162	£193,009	£172,526	£172,216
5	£189,212	£187,551	£200,206	£198,216	£202,749	£197,844	£164,783	£164,352	£200,520	£198,539	£164,681	£164,188
7	£190,266	£187,959	£203,125	£200,413	£210,317	£203,229	£157,328	£156,754	£207,086	£204,229	£157,193	£156,534
10	£186,641	£183,662	£202,146	£198,591	£222,201	£211,581	£146,775	£146,009	£217,342	£213,070	£146,594	£145,717

Notes:
1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £185,000
3. Total contributions of 0% are assumed
4. Inflation is assumed to be 2.5% p.a.
5. The transaction costs are calculated as an average of transaction cost data for the three-year period from 1 January 2018 to 31 December 2020. Where funds have a negative transaction cost, a zero cost has been assumed.

For example, at the end of year 1, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £185,835 before charges and costs and £185,507 after charges and costs. The same investment in *The Money Fund* would be worth £180,767 before charges and costs and £180,673 after charges and costs.

After 10 years, a member's DC pension savings invested in *Lifecycle to Annuity* would be worth £186,641 before charges and costs and £183,662 after charges and costs. The same investment in *The Money Fund* would be worth £146,775 before charges and costs and £146,009 after charges and costs.

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5 Value for Members

5.1 The Trustee is required[8] to undertake a review of the charges and costs incurred by members in order to ascertain whether they represent good value for members, relative to peers and alternative arrangements that are available.

5.2 The Trustee is committed to ensuring that members receive good value from the Plan. In conjunction with the Trustee's investment advisers (currently Mercer), the Trustee has undertaken a formal value for members' assessment ("VFM"); this has been the case since 2015. In February 2021 Mercer conducted the Trustee's most recent VFM assessment evaluating the charges borne by members in relation to the services received.

5.3 The overall Value for Member assessment covered the following aspects:

- Investment charges for the default and self-select arrangements
- Transaction costs
- Performance
- Investment manager ratings
- Plan governance
- Investment design and range
- Member services
- The costs funded by the Company, (rather than the member) of:
  - Plan administration;
  - Trustee's advisory costs; and
  - Member communication.

[8] Required under regulation 25(1)(b) of the Administration Regulation 1996.

5.4 Mercer has concluded that the charges and costs represent good value for members and that the funds offered to members are:

- Highly rated by Mercer;
- Offer a competitive fee rate (relative to peer group analysis and standard fees); and
- Are performing in line with expectations over the longer-term.

5.5 In addition to this:

- Charges for the default investment arrangements are significantly below the charge cap of 0.75% p.a. and effective December 2020, further reductions in AMCs were negotiated with LGIM for certain funds.
- There is a wide range of investment options which gives members access to traditional and alternative asset classes with ongoing monitoring and oversight of fund performance; and
- Regular communications are issued to members either directly or via the member site (www.smartpensionsuk.co.uk).

5.6 In summary, Mercer has concluded that the Plan's fund range offers 'good value' for member in terms of price, performance and productivity; this is Mercer's highest rating.

Additional Contributions

5.7 In addition to funds invested with LGIM, as at 31 December 2020, the Plan also held legacy with-profits additional contributions with Aviva Life & Pensions UK Limited (“Aviva”). The Trustee communicates annually with members regarding these holdings. The Trustee’s view is that the complex structure of these funds means Value for Members cannot be assessed and will vary by member. As such, these holdings were excluded from the most recent VFM assessment.

5.8 Charges and costs for the Aviva with-profits funds can be summarised as follows:

Fund	Fund TER (% p.a.)	Transaction Costs (% p.a.)	Total of TER & Transaction costs (% p.a.)
Aviva With-Profits Funds	0.50	0.11	0.61

Source: Aviva. This information relies upon data provided by third parties.

5.9 Following the closure of the Equitable Life With-Profits Fund, members with additional contributions invested in this Fund received an uplift to their policy value and were transferred to the Utmost Life & Pensions Limited Secure Cash Fund on 1 January 2020. In May 2020, following advice from the Trustee’s investment adviser, these assets were subsequently transferred to the Plan’s existing arrangements with LGIM.

6 Trustee Knowledge and Understanding

6.1 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee Directors are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

6.2 The Trustee has a Trustee Knowledge and Understanding ("TKU") process in place that ensures that each Trustee Director has a working knowledge of the Plan's governing documentation and the SIP together with an understanding of the laws relating to pensions trusts, and funding principles. The Governance Committee oversees the Trustee's approach to meeting the TKU requirements. The current TKU process is set out below.

Recruitment

6.3 The Trustee's recruitment process ensures new Trustee Directors will have the necessary skills and basic level of understanding required by having:

- A Trustee Fitness and Propriety process which outlines the eligibility requirements for the appointment of Trustee Directors;
- A Trustee Recruitment process for member nominated Trustee Directors that is achieved via a democratic election process. Education and training sessions are provided to potential candidates to enable them to understand the roles and responsibilities ahead of their respective nomination;
- The recruitment process for company nominated Trustee Directors is managed by the company.
- A process for appointing a chair of the Trustee Board and the leadership qualities required for that role.

Induction Process

6.4 There is a specific and structured training programme for new Trustee Directors upon being appointed which includes:

- An induction education session with the IBM Pensions Trust Manager (covering the topics set out below);
- A requirement for all Trustee Directors to undertake and complete The Pensions Regulator's Trustee Toolkit course within six months of taking up office; and
- Attendance at various sub-committees as an observer to build knowledge and understanding of specific issues.

6.5 During 2020, three new Trustee Directors were appointed. The Trustee Directors appointed in March and May completed the Trustee Toolkit within the stipulated six months and undertook the induction education, performed by the IBM Pensions Trust Manager, which covered the following areas:

- Trustee knowledge and education requirements;
- Trustee duties and powers;
- Conflicts of interest;
- IBM Pension Plans; and
- Trustee committee structure.

6.6 The third Trustee Director was appointed in September but resigned prior to completing the Trustee Toolkit.

Ongoing Education

6.7 For existing Trustee Directors, the ongoing education programme is determined as a result of specific requirements that arise during the year, taking into account any knowledge gaps or education priorities identified during the Trustee Director's self-assessment survey.

6.8 Trustee training sessions were held over the year covering the following topics:

- Trustee Decision Making (Effectiveness);
- Legal and Actuarial training on Buy-Ins - Risk transfer working group meeting;
- Role of a trustee;
- How trust law views the relationship between employer and trustee;
- Dos and don'ts - confidentiality, giving advice, conflicts of interest;
- Liability - protections and pitfalls;
- Position under the rules - powers of the Trustee, what powers do they share with the Employer;
- Statutory requirements to seek employer consent or to consult (funding, SIP); and
- Environmental, Social and Governance legal and investment considerations.

6.9 A log of Trustee Directors' attendance at education sessions and Committee meetings is maintained.

6.10 All Plan documents are available to the Trustee Directors via a dedicated Trustee online repository.

6.11 Further training to be scheduled for 2021 includes a Trustee Effectiveness exercise.

The Trustee Effectiveness Assessment

6.12 A training session on Trustee Effectiveness took place in March 2020 in the form of education on Decision Making, by the Trustee's legal advisers Sacker & Partners LLP. A round-table discussion led by Sacker & Partners LLP focussing on reviewing the effectiveness of the key decisions made in the previous year then took place applying the guidance to those decisions.

6.13 The Trustee believes that the decisions taken were in line with this guidance, and at the end of the session, all Trustee Directors were asked for their feedback: it was unanimously felt the education was a good guide as to how decisions should be made.

6.14 A Trustee Effectiveness exercise took place in second quarter 2021 which included a TKU questionnaire as well as education and effectiveness discussions. A written report will be provided to the Trustee which collates the questionnaire responses and sets out the key recommendations. It is useful to repeat this exercise as new Trustee Directors have been appointed.

Utilising Advisers

6.15 The Trustee believes that the best run schemes utilise the combined skill and knowledge of both the Trustee and their professional advisers. The relevant skills and experience of those advisers are key criteria when evaluating adviser performance and selecting new advisers.

6.16 Additionally, the following measures have applied during the period:

- The Trustee's professional advisers, where relevant, attend their formal meetings; and
- The Trustee receives briefings from their advisers on relevant legislative and regulatory developments and DC topics at each relevant meeting.

6.17 Trustee meetings typically occur at least four times a year, with additional meetings as needed and minutes are taken and then approved at the next meeting. Advisers are invited to all relevant meetings.

6.18 Taking into account actions taken individually and as a Trustee group and the professional advice available to it, the Trustee considers that they are able to exercise their function as a Trustee appropriately.

Summary

6.19 The Trustee Effectiveness review undertaken in 2020, the combined knowledge and understanding of the Board (with expertise drawn from different professional and investment related backgrounds), the matching of Trustee expertise to the relevant Sub Committees, together with tailored training and professional advice undertaken in 2020, has enabled the Trustee to properly exercise its functions in the Plan year.

I confirm that the above Chair's Statement has been produced and approved by the Trustee to the best of its knowledge.

Signed for and on behalf of IBM United Kingdom Pensions Trust Limited as Trustee of the IBM Pension Plan

e-Signed by Robert Tickell

By..

July 21, 2021

Date..

Robert Tickell
Co-Chair of Trustee

IBM Pension Plan

Statement of Investment Principles – August 2020

1. Introduction

1.1 IBM United Kingdom Pensions Trust Limited (the "Trustee"), as the Trustee of the IBM Pension Plan (the "Plan"), has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern the decisions about the Plan's investments. The Trustee's investment responsibilities are governed by the Plan's Trust Deed and Rules, of which this Statement takes full regard.

1.2 The Trustee has consulted IBM United Kingdom Holdings Limited (the "Company") as the Sponsor of the Plan on the principles set out in this Statement and will consult the Company on any changes to it having taken prior written advice from an authorised investment consultant. The Trustee seeks to maintain a good working relationship with the Company and will discuss any proposed changes to this Statement with the Company. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.3 This Statement includes both the Defined Benefit ("DB") and Defined Contribution ("DC") Sections of the Plan and these are considered separately, as appropriate.

1.4 The DB Section of the Plan is closed to new members and to future accrual.

1.5 The DC Section of the Plan has been closed to new members since 2011 but continues to be open to new additional contributions.

1.6 Until 2011, the Plan provided a facility for DB and DC members to pay Additional Voluntary Contributions ("AVCs") and Additional Smart Contributions ("ASCs") into the Plan to enhance their benefits at retirement. With the closure of the DB Section to future accrual, DB members can maintain their existing AVC and ASC pension savings within the Plan but are no longer able to make further AVC or ASC contributions. The DC Section continues to be open to new AVC and ASC contributions.

1.7 The Plan's investment arrangements, based on the principles set out in this Statement, are detailed in the Plan's Investment Policy Implementation Document ("IPID"). This statement and the IPID are published on a public website.

1.8 The Trustee does not expect to revise this Statement frequently because it covers broad principles rather than their implementation. The Trustee will review it at least once every three years, and without delay if there are relevant, material changes to the Plan and/or the Company which the Trustee judges to have a bearing on the stated investment policy. The IPID will be reviewed as required and updated to reflect any amendments to the investment arrangements, and any changes will be agreed by the Trustee. Any such reviews will be based on written expert investment advice and will be in consultation with the Company.

2. Plan Governance

2.1 The Trustee has appointed professional consultants (the "Investment Consultant") to provide relevant investment advice to the Trustee. The Investment Consultant has confirmed in writing to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Act 1995 and the Occupational Pension Scheme (Investment) Regulations 2005. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.2 The Trustee also takes advice as appropriate from the Plan Actuary and other professional advisers.

2.3 The Trustee is responsible for the investment of the Plan's assets and retains control over the decisions on investment strategy. However, in order to ensure that investment decisions are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

2.4 The Trustee has appointed DB and DC Investment Committees and a separate Governance Committee.

2.5 The DB and DC Investment Committees are responsible for determining and implementing investment policy. Sub-committees may be appointed to deal with specialist issues where required. The full responsibilities of the Investment Committees and Governance Committee are outlined in the Constitution and Powers document.

2.6 The Pensions Trust organisation undertakes a staff role in support of the Trustee and all committees.

2.7 The Trustee has delegated day-to-day management of the Plan's investments to a number of investment managers. In some cases, this is via Trustee directed investments in pooled investment vehicles and insurance policies and in other cases via separate accounts in which the investment manager invests directly on behalf of the Plan.

2.8 The Plan's DC investments (including AVCs and ASCs) are invested in a range of funds / strategies with Legal & General Investment Management Limited ("Legal & General").

2.9 Details of the appointments are contained in the investment management agreements between the investment managers and the Trustee, or within the governing documentation of the pooled vehicles.

2.10 A custodian is appointed by the Trustee to provide safekeeping of the Plan's assets not invested in pooled funds or insurance policies, and performs the associated administrative duties. The details of this appointment are contained in the contract between the Trustee and the custodian.

3. Environmental, Social and Corporate Governance

3.1 The Trustee believes that environmental, social, and governance ("ESG") factors, including climate change, can impact the performance of the Plan's investments, both DB and DC (including the DC default investment strategies), over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations.

3.2 The Trustee believes that responsible ownership can add value to the Plan's assets in the long term and will therefore seek to appoint managers who demonstrate strong engagement credentials, where relevant to the portfolio (see further under "Rights Attaching to Investments" below).

3.3 The Trustee does not take into account non-financial matters in the selection, retention and realisation of investments.

3.4 As noted above, the Trustee does not have an active policy of taking non-financial matters into account in its investment decision making. However, the Trustee has considered and assessed member views (regarding both financial and non-financial factors) in relation to the range of DC self-select ('Freestyle') funds offered to members and has made available the Legal & General Ethical UK Equity and Ethical Global Equity Index Funds whose underlying investments exclude companies involved in business activities that don't comply with a range of ethical and environmental guidelines (and hence are expected to provide investment profiles more suitable to members who wish to express an ethical preference in their investments as well as focusing on companies that are demonstrating good sustainability practices).

3.5 In the fourth quarter of 2020, the Trustee also plans to introduce the Legal & General Future World Fund to the Freestyle Fund range. The Legal & General Future World Fund invests in a diversified range of global companies but tilts away from companies who generate revenue from fossil fuels or produce a high level of carbon emissions in favour of 'Green Revenues'. Further details regarding these funds can be found in the IPID.

3.6 The Trustee is committed to reviewing this policy on an ongoing basis.

4. Rights Attaching to Investments (Stewardship)

4.1 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's DB and DC investments to the investment managers. Managers are encouraged to exercise these rights.

4.2 The Trustee supports the aims of the UK Stewardship Code, and its investment managers are invited to operate in accordance with the guidelines laid out in the Stewardship Code which covers matters of both voting and engagement. The investment managers are encouraged to report their adherence to The Stewardship Code using the “comply” or “explain” principle where appropriate.

4.3 The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records. In general, investment managers are likely to choose to support and vote with incumbent company management, and therefore exception reporting is expected. Significant shareholder action other than voting should also be reported. The Trustee’s Governance Committee periodically reviews these reports from investment managers to ensure that the policies outlined in sections 3 and 4 are being met.

5. Investment Manager Arrangements

Aligning Investment Manager Appointments with the Trustee's Investment Strategy

5.1 Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage.

5.2 Where appropriate, the Trustee will seek investment advice in decisions regarding manager appointments. Such advice may consider factors such as the manager’s idea generation, portfolio construction, implementation, and business management, in relation to the Trustee's proposed investment.

5.3 As stated in Section 3, the Trustee has a policy of appointing investment managers who are committed to the Principles for Responsible Investment. The Trustee will consider the investment manager’s implementation of ESG considerations and, where relevant, will also consider the investment manager’s policy on voting and engagement in decisions concerning manager appointments.

5.4 In respect of segregated appointments, the Trustee specifies the investment objectives and criteria in an investment management agreement for the investment manager to be in line with the Trustee’s specific investment requirements.

5.5 Where the Trustee invests in pooled investment vehicles, it accepts that it does not have the ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

5.6 The Trustee will review an appointment if the investment objective for a manager’s pooled fund changes to ensure it remains appropriate and consistent with the Trustee’s wider investment objectives.

5.7 Investment managers are aware that their continued appointment is based on the success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to review the appointment.

Evaluating Investment Manager Performance

5.8 The Trustee receives reporting on asset class and investment manager performance on a quarterly basis and this includes performance information over 3 months, year-to-date, 1 year, 3 years, 5 years and since inception. Performance is measured on both an absolute return basis and a relative return basis against a suitable index used as the benchmark (where appropriate) or against an alternative performance target. Both asset class and investment manager performance is reported net of fees and transaction costs.

5.9 The Trustee's focus is on long term performance but, as noted above, the Trustee may review a manager's appointment at any time for a variety of reasons including for example:

- sustained periods of underperformance;
- changes in organisation or key personnel (including the portfolio manager);
- a change in the underlying objectives of the investment manager;
- a significant change to the Investment Consultant's rating of the investment manager.

5.10 The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management. In this way, the managers are incentivised to maximise investment returns in line with the investment objectives. For the Liability and Currency Hedging managers, a fee is payable calculated as a percentage of the hedge.

5.11 In some cases, active managers are incentivised using a performance related target. Where a performance related fee is payable, a hurdle rate structure is in place to mitigate the possibility of the Trustee paying additional fees during periods of long-term underperformance.

5.12 As part of the annual Value for Members ("VfM") assessment, the Trustee reviews the DC investment manager fees. This review includes peer group comparison where fees are compared against those paid by other schemes based on each underlying fund's region, asset class, fund management style and the size of assets under management.

Portfolio Turnover Costs

5.13 The Trustee does not currently actively monitor portfolio turnover costs within the DB Section of the Plan. As noted above, investment manager performance is evaluated net of fees and transaction costs, and where possible, performance objectives for investment managers are set on a net basis. In this way, managers are incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

5.14 Within the DC section of the Plan, the Trustee reviews the transaction costs[1] of the underlying funds and strategies on a quarterly basis and again as part of the annual Value for Members assessment.

5.15 The Trustee will continue to monitor industry developments concerning the reporting of portfolio turnover costs and in particular the standardisation and benchmarking of cost reporting.

Manager Turnover

5.16 The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. For open-ended funds there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

- For the DB section, there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- For the DC section, the mandate is no longer considered to be optimal nor have a place in the default investment strategy or general fund range;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

5.17 For closed-ended funds, the Plan is invested in a manager's fund for the lifetime of the fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the fund's governing documentation. In order to maintain a strategic allocation to an asset class, the Trustee may choose to stay with a manager in a new vintage of the fund or appoint a different manager.

DB Section

6. Objectives and Policy

6.1 The Trustee has set the following long-term investment objectives in relation to the DB Section:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter term basis.

[1] Costs incurred as a result of buying and / or selling assets.

6.2 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations in relation to the DB Section of the Plan. Reflecting these considerations, a high level strategic asset allocation has been set by the Trustee, having consulted the Company. This is detailed in the IPID along with the rebalancing policy and full details of the investment manager structure.

7. Investment Strategy

7.1 When reviewing the Plan's investment strategy, the Trustee takes into account the long-term investment and funding objectives and as a result aims to balance the level of investment risk and required expected return within the investment strategy by investing in a diverse portfolio of "growth" assets, such as equities and other return seeking assets, and "matching" assets aiming to minimise the impact of changes in interest rates and inflation on the Plan's funding level.

7.2 The Trustee has set the following target allocations to growth and matching assets:

Asset Class	Current strategic asset allocation target (%)
Private equity	5.5
UK property	
Global bonds	94.5
Global credit	
Long-term UK core credit	
Liability matching assets	
Cash	
Total	**100.0**

7.3 The underlying allocations to the individual asset classes may vary over time.

7.4 The Trustee has implemented a liability hedging policy to hedge a significant amount of the interest rate and inflation risks inherent in the Plan's liabilities.

7.5 The Trustee has also implemented a currency hedging policy to mitigate the increased risk associated with investing in overseas assets.

8. Day to Day Management

8.1 In general, the investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The investment managers have responsibility for generating cash as instructed to do so by the Trustee as and when required for benefit payments and other expenses.

8.2 The Trustee's policy is that there should be sufficient secure investments in liquid or readily-realisable assets to meet short term cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Plan's overall investment policy.

9. Risk Management

9.1 The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks:

Type of Risk		Description	
Solvency and mismatching risk		The risk that the assets of the Plan do not fulfil the current and future obligations of the Plan to its members. This is the combination of all other risks described below.	Managed and monitored in the ways described below for the specific risks.
Market risks	Interest rate and inflation risks	The risk arising from differences in the cash-flow profile of the gilts and other bonds held by the Plan from that of the Plan's projected benefit cash-flows due to members.	Managed through the chosen investment strategy controlling the exposures to specific market risk sources and through monitoring of the actual growth of the assets relative to liabilities.
	Currency risk	The risk that changes in exchange rates affect the values of overseas assets compared to the Plan's sterling liabilities.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other risks	Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company.	
Demographic risks		The risk arising from uncertainty in the actual future benefits to be paid to members, for example related to member longevity.	Managed through triennial valuations to set Sponsor contributions and through rebalancing of the liability hedge.
Operational risks	Custodial risk	The risk that the custodian holding assets directly for the Plan fails to settle trades on time, fails to provide secure safekeeping of the assets under custody or otherwise fails to discharge its obligations to the Plan.	Managed by monitoring the custodian's activities and its creditworthiness.
	Counterparty risk	A form of credit risk in that the counterparty to a transaction (such as a derivative) could fail to meet its obligations to the Plan.	Managed through collateral management, diversifying counterparty exposures, monitoring counterparty creditworthiness and the use of robust contracts.

Terms of entry and valuation risk	The risk that derivative contracts are not purchased at a competitive price and that contracts are not correctly valued on an ongoing basis.	The management of this risk is delegated to the investment managers. The custodian provides independent valuations.
Legal risk	The risk that the legal terms of contracts are not properly reviewed.	Managed by taking appropriate advice when putting in place new, or in reviewing existing, contracts.
Day-to-day operational risks, including collateral risk	The risk that the Plan fails to meet its contractual obligations to counterparties, such as in the provision of collateral for derivative contracts.	Day-to-day management of these risks is delegated to the investment managers or custodian. The Trustee requires managers to monitor collateral sufficiency and specifies controls within the managers' legal agreements.
Investment manager risk	The risk that the appointed investment managers underperform their objectives, fail to carry out operational tasks, fail to ensure safe-keeping of assets (in pooled funds) or breach agreed guidelines.	Managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment managers.
Liquidity risk	The risk that the Plan cannot meet short term cashflow requirements or incurs excessive costs doing so. This includes liquidity requirements of the Plan's currency and liability hedging programmes.	Managed by undertaking periodic reviews of the Plan's liquidity requirements to ensure sufficient cash is held to limit adverse impact on investment policy.
Political and regulatory risk	The risk that the impact of political instability or intervention on financial markets causes the value of the Plan's assets to fluctuate.	Managed through the chosen investment strategy.
Sponsor risk	The risk that the insolvency of the Sponsor impacts its ability to continue to support the Plan and make good any current or future deficit.	Covenant reviews are undertaken at least triennially to assess the interaction between the Plan and the Sponsor's business, the Sponsor's creditworthiness and its capacity to meet any current and potential future obligations.

DC Section

10. Overall Aims and Objectives

10.1 The Trustee's principal mission is to help DC Section members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members and which is in line with recognised market “good practice”, taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

10.2 In addition to the principal mission as stated above and the investment objectives below, the Trustee also aims to:

- Ensure that the DC Section’s operational structure is sensible and cost effective.
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions.

11. Investment Objectives

11.1 The Trustee has the following investment objectives related to the DC Section:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.
- To offer a range of self-select investment options which are appropriate for the profile of most members.

12. Investment Policies

12.1 The Trustee recognises that the default investment strategy will not meet the needs of all members (who will have different personal preferences and retirement objectives) and as such, alternative investment options are available for members to choose from. This includes the Freestyle fund range. The Trustee's policy on investment return is to provide members with the ability to obtain a level of investment return commensurate with that achieved by the investment funds they select from the range of available offerings.

12.2 The fund range and default investment strategy are reviewed on at least a triennial basis, the last review having taken place in 2019. The Trustee is planning to introduce changes to the Plan's investment arrangements in the fourth quarter of 2020.

12.3 Members are currently offered a range of three Lifecycle investment strategies and 21 Freestyle funds (of which four funds are closed to new member elections). The fund range is comprehensive and offers exposure to a wide range of asset classes which offer different levels of risk and return, the balance between which can be selected by the member. These include but are not limited to: developed market equities, emerging market equities, real estate, listed infrastructure, pre-retirement funds, money market investments, gilts and index-linked gilts. Within the fund range, two multi-asset Funds, the Growth and Growth Plus Funds, are available to members and provide exposure to a diversified range of asset classes (including commodities). The Trustee also makes available two ethical equity funds and is planning to introduce a sustainable equity fund in the fourth quarter of 2020.

12.4 The Trustee notes that members' investment needs change as they progress towards retirement age; hence offering Lifecycle investment strategies which switch a member's pension savings into Funds with a lower risk profile, as the member approaches their target retirement age. These Lifecycle strategies are consistent with how members can access their pension savings at retirement. In the fourth quarter of 2020, a new Lifecycle strategy is expected to be introduced alongside new versions of the three existing Lifecycle strategies:

- 'Lifecycle Balanced 2020' strategy, to be implemented as the new default investment strategy in the fourth quarter of 2020, aims to give members a 'balanced' investment strategy that incorporates a mixed annuity and drawdown target (in addition to the 25% cash target).

- 'Lifecycle to Annuity' strategy. This is the Plan's current default investment strategy and is aimed at members planning to take 25% of their defined contribution savings as tax-free cash on retirement, using the remainder to buy an annuity. This will remain the default investment strategy until the new 'Lifecycle Balanced 2020' strategy is made available. A new version of the 'Lifecycle to Annuity' strategy will be implemented in the fourth quarter of 2020 called 'Lifecycle to Annuity 2020' and this will be available for members on a self-select basis.

- 'Lifecycle to Lump Sum' strategy. This strategy is aimed at members targeting a lump sum cash withdrawal at retirement. A new version of this strategy will be introduced in the fourth quarter of 2020 called 'Lifecycle to Lump Sum 2020'.

- 'Lifecycle to Drawdown' strategy. This strategy is aimed at members who intend to take 25% of their defined contribution savings as tax-free cash on retirement, leaving the remainder invested for growth while they draw an income during retirement. A new version of this strategy will also be introduced in the fourth quarter of 2020 called 'Lifecycle to Drawdown 2020'.

More details regarding these Lifecycle investment strategies can be found in the IPID.

12.5 The Trustee is conscious of the impact of management fees on the ultimate value of a member's pension fund. The Trustee believes that both actively and passively managed funds can add value for members and therefore has opted for a Fund Range centred around passive management, but with the ability to use active or smart beta products where it is deemed appropriate and cost effective to do so.

12.6 In determining which investment options to make available, the Trustee with advice from its Investment Consultant, has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty, some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the real returns (i.e. return above inflation) of the funds do not keep pace with inflation.	Members are able to set their own investment allocations, in line with their risk tolerances. For the multi-asset funds and lifecycle strategies available, the Trustee periodically reviews the suitability of these options. Non-sterling exposure from developed markets within many of the investment funds is largely hedged back to sterling to reduce the impact of currency movements. The Trustee considers these risks and the appropriate level of diversification when setting the default investment strategy.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other risks	Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company.	
Investment manager risk		The risk that the appointed investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	The DC section is managed by one investment manager. The Trustee regularly reviews the appropriateness of the level of the security of assets. The Trustee undertakes ongoing monitoring of the performance of the investment manager.
Liquidity risk		The risk that the Plan's assets cannot be realised at short notice in line with member demand.	The Plan is invested in daily dealt and daily priced pooled funds.

Pension Conversion risk	The risk that the value of a member's account does not enable the member to meet their objectives post retirement.	The Trustee makes available a range of Lifecycle strategies for DC members. Lifecycle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. Members can select a Lifecycle strategy in accordance with their personal preferences and retirement objectives. The default investment strategy is a Lifecycle strategy. As part of the triennial default investment strategy review, the Trustee reviews the appropriateness of the default retirement destination based on the membership profile and experience.

12.7 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the DC Section as a whole. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

DC Section – Default Investment Strategy

13. Aims and Objectives

13.1 The Trustee recognises that not all members will make investment decisions and as such the Trustee believes that it is appropriate to offer a default investment strategy.

13.2 The Trustee has selected the 'Lifecycle Balanced 2020' strategy as the future default investment strategy for DC members of the Plan and this is expected to be available from the fourth quarter of 2020. This strategy aims to give members a 'balanced' investment strategy that incorporates a mixed annuity and drawdown target (in addition to the 25% cash target).

13.3 The Lifecycle to Annuity strategy will remain the default investment strategy until the new 'Lifecycle Balanced 2020' strategy is made available to members.

13.4 These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

14. Investment Policies

14.1 The default investment strategy is designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach that is tailored, insofar as is practical, to the needs of the Plan's members. The Trustee will review the default investment strategy regularly, at least triennially or after significant changes to the Plan's demographic profile.

14.2 A range of asset classes are included within the default investment strategy including: developed market equities, emerging market equities, multi-asset funds, pre-retirement funds and money market investments.

14.3 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The default investment strategy balances between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date. The Lifecycle approach reflects that members' investment needs change as they progress towards retirement age by reducing the investment risk.

14.4 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The specific risks pertaining to the default investment strategy are identified in the table in 12.6.

14.5 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the default investment strategy. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

15. Members' Best Interests

15.1 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) not only of the performance of the default investment strategy, but also of its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly. The Trustee strives to ensure the strategy evolves in line with the

Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members.

DC Section – Legacy Default Investment Strategies

16. Aims and Objectives

16.1 The Trustee operates a number of legacy default investment strategies[2] which are no longer available as new options within the Plan. Members close to retirement, and hybrid members, were allowed to remain invested in older default investment strategies and may also increase their allocations to said strategies. These strategies target the purchase of an annuity and reduce investment risk as a member's retirement date approaches.

16.2 These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

17. Investment Policies

17.1 The legacy default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach that is tailored, insofar as is practical, to the needs of the Plan's members. The Trustee will review the legacy default investment strategies regularly, at least triennially or after significant changes to the Plan's demographic profile.

17.2 A range of asset classes are included within the legacy default investment strategies including: developed market equities, emerging market equities, gilts, multi-asset funds, pre-retirement funds and money market investments.

17.3 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. These legacy default investment strategies balance between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date. The Lifecycle/Lifestyle approach reflects that members' investment needs change as they progress towards retirement age by reducing the investment risk.

17.4 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategy made available to members. The specific risks pertaining to the legacy default investment strategies are identified in the table in 12.6.

[2] These are Lifecycle 2012, Lifecycle Plus 2012, Lifestyle 2002, Lifestyle 1997 and Lifestyle 1997 (Data Science Limited members only) as set out in the IPID.

17.5 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the legacy default investment strategies. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

18. Members' Best Interests

18.1 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) not only of the performance of the legacy default investment strategies, but also of their design to ensure that they continue to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly.

DC Section - Additional Default Arrangements

19. Additional Default Arrangements

19.1 In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have or are planned to be automatically directed to these arrangements without members having instructed the Trustee where their contributions are to be invested; this is due to historic fund mapping exercises and is further explained in the table below. The performance of these funds are monitored on a quarterly basis, with a strategic review being carried out at least triennially.

Fund/Investment Strategy	Reason for identification as a 'default arrangement'	Date
Growth Plus Fund (DSL)	Following closure of the Consensus Fund by Legal & General Investment Management Limited ("LGIM"), the Trustee received advice from the Plan's investment advisors and assets for DSL members were mapped to the Growth Plus Fund.	July 2016
Money Fund	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM (following the closure of the Equitable Life With Profits Fund). DB AVCs for members aged 55 or over who did not make an active selection were mapped to the Money Fund.	May 2020
Lifecycle to Lump Sum Strategy	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM (following the closure of the Equitable Life With Profits Fund). DB AVCs for members under 55 who did not make an active selection were mapped to the Lifecycle to Lump Sum Strategy.	May 2020

Lifecycle to Annuity Strategy	As part of the transition of assets from Utmost Life & Pensions Limited to LGIM (following the closure of the Equitable Life With Profits Fund). A separate cohort of members who did not make an active selection were mapped to the Lifecycle to Annuity Strategy.	May 2020
Lifecycle to Annuity 2020 Strategy	As part of the implementation of the new investment arrangements expected in the fourth quarter of 2020. Members transitioned from Utmost Life & Pensions to the Lifecycle to Annuity Strategy in May 2020, who are over 8 years from retirement, and who do not make an active selection will be mapped to the Lifecycle to Annuity 2020 strategy.	Fourth Qtr. 2020
Lifecycle to Lump Sum 2020 Strategy	As part of the implementation of the new investment arrangements expected in the fourth quarter of 2020. Members over 8 years from retirement who do not make an active selection will be mapped from the Lifecycle to Lump Sum strategy to the Lifecycle to Lump Sum 2020 strategy. This includes members transitioned from Utmost Life & Pensions to the Lifecycle to Lump Sum Strategy in May 2020, who are over 8 years from retirement, and who do not make an active selection. Additionally, all members currently invested in the legacy default Lifecycle Plus 2012 strategy will be mapped to the Lifecycle to Lump Sum 2020 strategy unless making an alternative active election.	Fourth Qtr. 2020
Lifecycle to Drawdown 2020 Strategy	As part of the implementation of the new investment arrangements expected in the fourth quarter of 2020. Members over 8 years from retirement who do not make an active selection will be mapped from the Lifecycle to Drawdown strategy to the Lifecycle to Drawdown 2020 strategy.	Fourth Qtr. 2020

20. Aims and Objectives

20.1 The aims and objectives in respect of these additional ‘default arrangements’ are summarised in the table below. These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

Fund	Trustees’ aims and objective
Growth Plus Fund (DSL)	The fund’s objective is to provide diversified exposure to a range of asset classes.

FUND	TRUSTEES' AIMS AND OBJECTIVE
Growth Plus Fund (DSL)	The fund's objective is to provide diversified exposure to a range of asset classes.
Money Fund	The fund is designed to provide capital stability by investing in a diversified portfolio of high credit quality short term fixed income and variable rate securities. All holdings in the fund are Sterling denominated.
Lifecycle to Lump Sum Strategy	This strategy is aimed at members targeting a lump sum cash withdrawal at retirement.
Lifecycle to Annuity Strategy	This strategy is aimed at members planning to take 25% of their savings as tax-free cash on retirement, using the remainder to buy an annuity.
Lifecycle to Annuity 2020 Strategy	The Lifecycle to Annuity 2020 strategy is designed for members who intend to take 25% of their benefits as tax-free cash on retirement, using the remainder to purchase an annuity.
Lifecycle to Lump Sum 2020 Strategy	The Lifecycle to Lump Sum 2020 strategy is designed for members who will take their benefits via cash at retirement.
Lifecycle to Drawdown 2020	This strategy is aimed at members who intend to take 25% of their defined contribution savings as tax-free cash on retirement, leaving the remainder invested for growth while they draw an income during retirement.

21. Investment Policies

21.1 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The additional 'default arrangements' were created due to mapping exercises completed by the Trustee. As part of any mapping exercise, the Trustee considers the appropriateness of the 'default arrangement' to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

21.2 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The specific risks pertaining to the additional default arrangements are identified in the table in 12.6.

21.3 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the additional default arrangements. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

22. Members' Best Interests

22.1 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) of the additional default arrangements to ensure that they continue to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly. The Trustee strives to ensure the Plan's arrangements evolve in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members.

SIGNED FOR THE TRUSTEE by M Griffiths, Pensions Trust Manager & Company Secretary

DATED: 10th SEPTEMBER 2020

IBM Pension Plan

Investment Policy Implementation Document

This document sets out the detailed day-to-day implementation of the investment policy of The IBM Pension Plan ("the Plan") as determined by the Plan's Trustee and delegated to the Defined Benefit ("DB") and Defined Contribution ("DC") Investment Committees ("the ICs"). It should be read in conjunction with the Plan's Statement of Investment Principles ("SIP"), which outlines the broader framework of the principles governing decisions about investment of the Plan's assets.

Schedules

Schedule A	Current DB Investment Strategy
Schedule B	Day-to-Day Management of DB Assets
Schedule C	DC and Additional Contributions (AVCs and ASCs)

This document is amended as necessary by the Trustee, to reflect any changes to the Plan's investment arrangements.

August 2020

SIGNED FOR THE TRUSTEE by M Griffiths, Pensions Trust Manager & Company Secretary

DATED: 10th SEPTEMBER 2020

Schedule A

Current DB Investment Strategy

Asset Allocation Policy

The Trustee has set the asset allocation below as the target appropriate to meet the Plan's objectives and control the investment risks identified in the SIP.

The Plan's target investment strategy is kept under review periodically, with a full review expected alongside each triennial actuarial valuation.

Asset Class	Current Target Allocation (%)
Growth Assets	**5.5**
Private equity	2.5
UK property	3.0
Matching Assets	**94.5**
Global bonds	3.5
Global credit	3.5
Long-term UK core credit	25.0
Liability matching assets	60.5
Cash	2.0
Total	**100.0**

The Plan's actual asset allocation may differ from the target allocation primarily due to the impact of market movements and / or the time taken to implement changes or build up (or wind down) allocations to specific asset classes, for example private equity and UK property. The Trustee is comfortable with some level of divergence from the current target allocation and will review such divergence from time to time to ensure that the asset allocation remains suitable for the Plan, whilst still allowing the investment managers sufficient flexibility to seek out-performance against their benchmarks.

Rebalancing Policy

The IC will typically seek to rebalance back towards the target allocation should the rebalancing ranges outlined below be breached. Where the IC decides to deviate from this policy, for example where exceptional market conditions prevail, the reasons for such deviation will be documented. The rebalancing policy is currently being reviewed and will be updated as required.

Allocation	Rebalancing Range around Target Allocation*
Growth / Matching asset split	+/- 3%
Individual asset class (target allocation of more than 10%)	+/- 3%

Individual asset class (target allocation of 10% or less)	+/- 2%

* Excluding UK property and private equity.

Currency Hedging Policy

In order to mitigate the increased risk associated with investing in overseas assets, a currency hedging program has been put in place. Overseas currency exposure across all investments is assessed periodically and the IC aims to set the currency hedge at a level which limits the overall unhedged currency exposure to a maximum of 10% of the Plan's total assets.

Liability Hedging Policy

The Trustee has agreed to target a 105% interest rate and inflation liability hedge ratio on a gilts +0.5% p.a. basis. In order to achieve this, the Trustee allows the liability hedging ("LDI") manager to use leverage to achieve the desired level of hedging in a cost effective manner. The day-to-day monitoring of counterparty risk is delegated to the LDI manager but is subject to the limits on counterparty exposure and creditworthiness agreed between the Trustee and the LDI manager.

Schedule B

Day-to-Day Management of Assets

Details of the Plan's current holdings, including the managers, vehicles, investment approach and benchmarks are set out in the table below.

Asset Class	Manager	Vehicle	Investment Approach	Benchmark/Index
Private equity	Various	Pooled	Active	Internally benchmarked
UK Property	CBRE	Segregated	Active	MSCI UK Annual Property Index (GBP)
Reinsurance (Current holdings*)	Nephila	Pooled	Active	3mth (USD) LIBOR + 3%
	Securis	Pooled	Active	
Alternative Credit	CQS	Pooled	Active	3mth (UK) LIBOR + 5%
	Mackay Shields	Segregated	Active	
Global bonds	Northern Trust	Pooled	Active	Barclays Global Aggregate Customised (20% Treasuries/40% Corporates/40% Securitised)
Global credit	L&G	Pooled	Active	Barclays Global Aggregate Corporate Customised (1% issuer cap) GBP hedged
	PIMCO	Segregated	Active	
	Wellington	Segregated	Active	

Long-term UK core credit	PIMCO	Segregated	Active	Bloomberg Barclays Sterling Aggregate 10+ Non-Gilt 50% / Non-Gilt (Excl. BBB) 50%
	Western	Segregated	Active	
LDI	BlackRock	Segregated	Passive	Liability benchmark
Cash	Northern Trust	Segregated	Passive	Unbenchmarked
Currency overlay	Russell	Segregated	Passive	Currency overlay benchmark

* *Current holdings are derived from historic investments in Reinsurance which have resulted in trailing investments due to side pockets from historic losses.*

The Trustee has considered and is comfortable with the guidelines and restrictions of each of the mandates in which the Plan invests in.

Unless expressly agreed in writing by the Trustee, the investment managers of segregated assets are not permitted to borrow money (or to act as guarantors in respect of the obligations of another person) where the borrowing is liable to be repaid (or liability under a guarantee is liable to be satisfied) out of the assets of the Plan; this does not preclude borrowing made only for the purpose of providing liquidity for the Plan and on a temporary basis. Nor does it preclude investment in leveraged pooled funds, providing the Trustee is comfortable with the maximum leverage allowed under the strategy. Some short-term borrowing for settlement is also allowed, but is strictly limited and for the purpose of trade settlement only (which is standard practice in investment management).

Custodian

The Trustee has appointed Northern Trust as global custodian of the Plan's segregated assets. For the Plan's pooled fund investments, the Trustee has no direct ownership of the underlying assets within the pooled funds. The policies, proposal forms, prospectuses and related principles of operation set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the representative investment managers by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the managers.

Performance Measurement

The Trustee uses the services of an independent performance measurement company (currently the Plan's global custodian) to assess the managers' performance relative to the benchmark returns. The Trustee reviews this on a regular basis along with consideration versus outperformance targets.

Schedule C

DC and Additional Contributions (AVCs and ASCs)

The Plan's DC and AVC/ASC arrangements are managed by Legal & General Investment Management Limited ("LGIM").

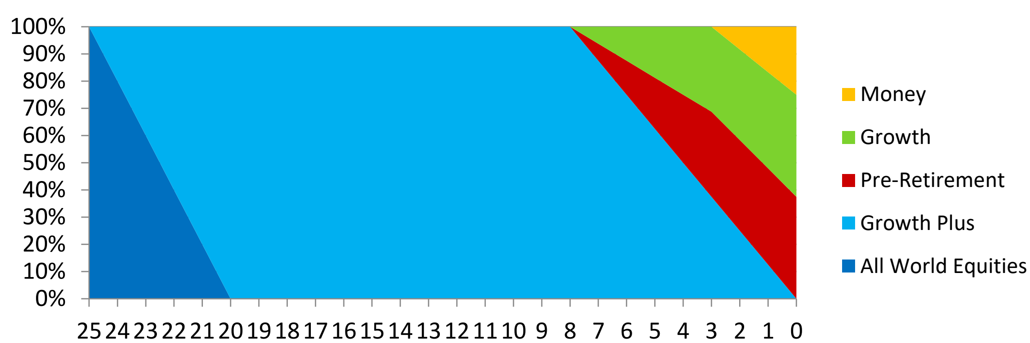
There are currently three Lifecycle investment strategies in place for members to choose from, targeting either annuity (the current default investment strategy), income drawdown, or cash. There are also five legacy Lifecycle / Lifestyle investment strategies. Each member's circumstances are unique and as such how they will take their retirement benefits will differ depending on those circumstances. The legacy default Lifecycle / Lifestyle investment strategies are no longer open to new members; however, members close to retirement, and hybrid members, may remain invested in these strategies and can opt to increase their allocations.

Following a review of the Plan's DC and AVC arrangements in 2019, the Trustee is planning to introduce four new Lifecycle strategies in the fourth quarter of 2020. As part of this, the current default investment strategy will be replaced with a Lifecycle strategy targeting a combination of annuity, drawdown, and cash which will give members more flexibility at retirement. Once the new Lifecycle arrangements are available, the current Lifecycle strategies will be closed to new members.

There is also a range of self-select Freestyle funds for members to choose and from the fourth quarter of 2020, the Trustee is planning to introduce a sustainable equity fund option to the fund range.

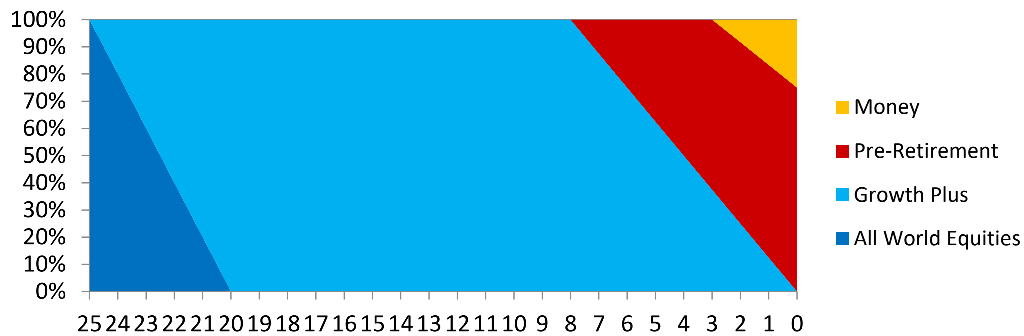
Lifecycle Balanced 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle Balanced 2020 strategy will be the new default investment strategy and is designed to give members a 'balanced' investment strategy that incorporates a mixed annuity and drawdown target (in addition to the 25% cash target). There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement, at which point funds are progressively switched to the Growth Plus Fund over the next 5 years. At 8 years to retirement, the Pre-Retirement and the Growth Funds are introduced. At 3 years to retirement the Money Fund is introduced with the final allocation being 37.5% to both the Pre-Retirement Fund and Growth Fund, and 25% to the Money Fund. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



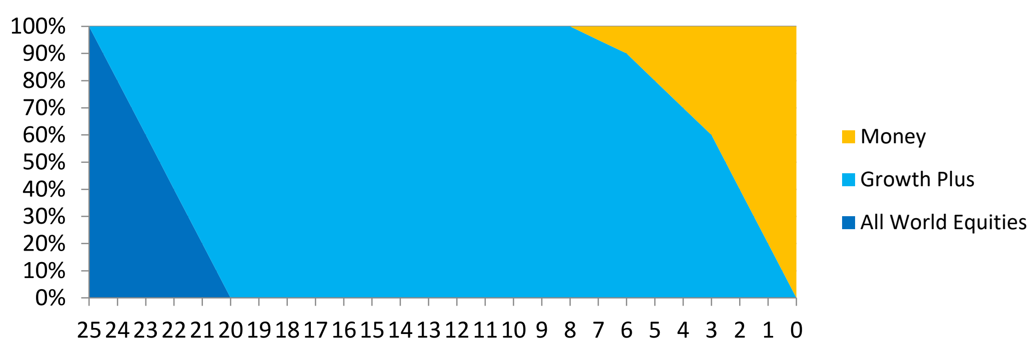
Lifecycle to Annuity 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle to Annuity 2020 strategy is designed for members who intend to take 25% of their DC benefits as tax free cash and use the remainder to purchase an annuity at retirement. There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement. Then between 25-20 years from retirement, funds are progressively switched to the Growth Plus Fund. The Pre-Retirement and Money Funds are introduced at 8 and 3 years to retirement respectively. At retirement, there is a 75% and 25% allocation to the Pre-Retirement Fund and Money Fund respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



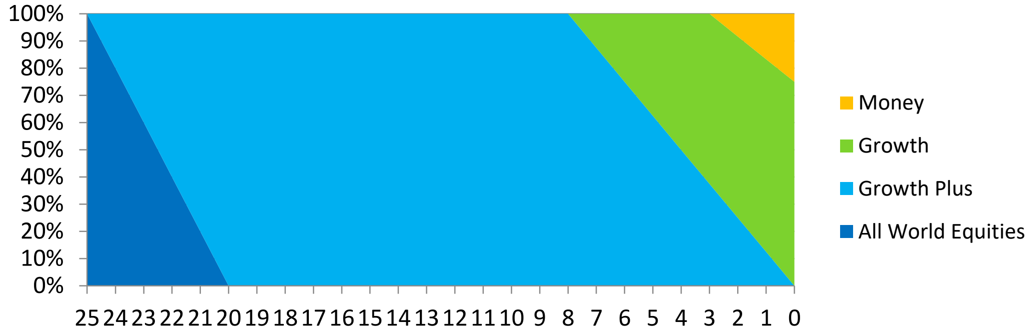
Lifecycle to Lump Sum 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle to Lump Sum 2020 strategy is designed for members who will take their benefits via cash at retirement. There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement. Then between 25-20 years from retirement, funds are progressively switched to the Growth Plus Fund. At 8 years to retirement, the Money Fund starts to be introduced targeting a final 100% allocation to the Money Fund at retirement. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



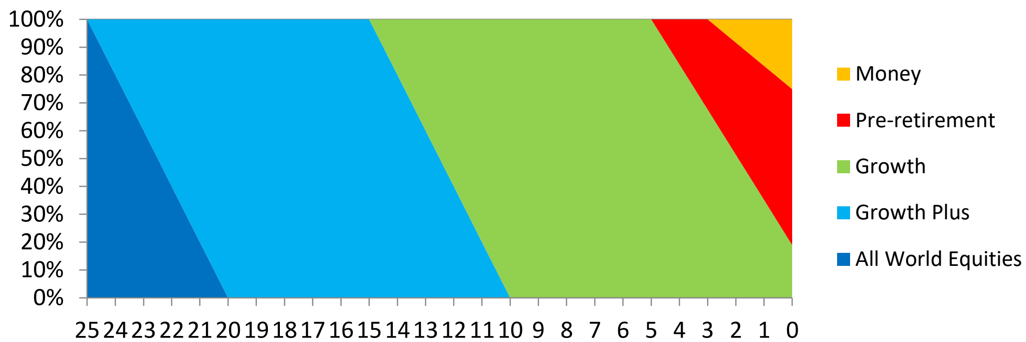
Lifecycle to Drawdown 2020 (expected to be available from the fourth quarter of 2020)

The Lifecycle to Drawdown 2020 strategy targets an allocation which aims to provide a suitable retirement position for members wishing to transfer into a flexi-access income drawdown product at retirement. There is a 100% allocation to the All World Equity Index Fund until 25 years to retirement. Then between 25-20 years from retirement funds are progressively switched to the Growth Plus Fund. At 8 and 3 years from retirement the Growth Fund and Money Fund start to be introduced, targeting final allocations of 75% and 25% respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



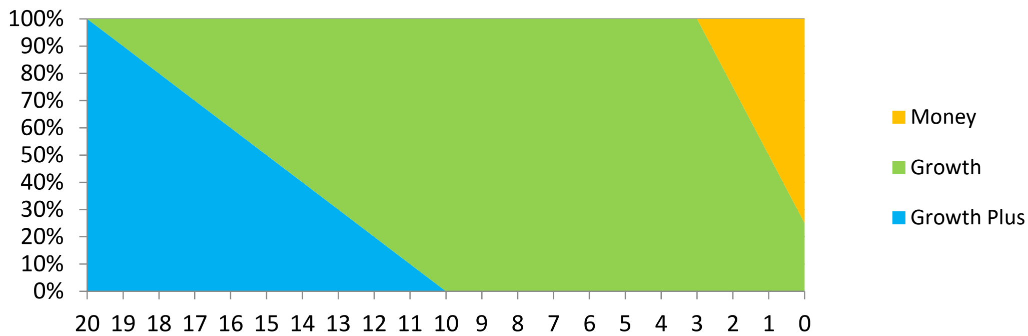
Lifecycle to Annuity (Current Default Investment Strategy)*

The Lifecycle to Annuity strategy targets an allocation which aims to provide a suitable position for members wishing to purchase an annuity at retirement and take their tax-free pension commencement lump sum. There is a 100% allocation to the All World Equity Index Fund, then between 25-20 years from retirement, funds are switched to the Growth Plus Fund. At 15 years, the Growth Fund starts to be added and then at 5 and 3 years from retirement, the Pre-Retirement and the Money Funds are introduced with final targets on retirement of 19%, 56% and 25% respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



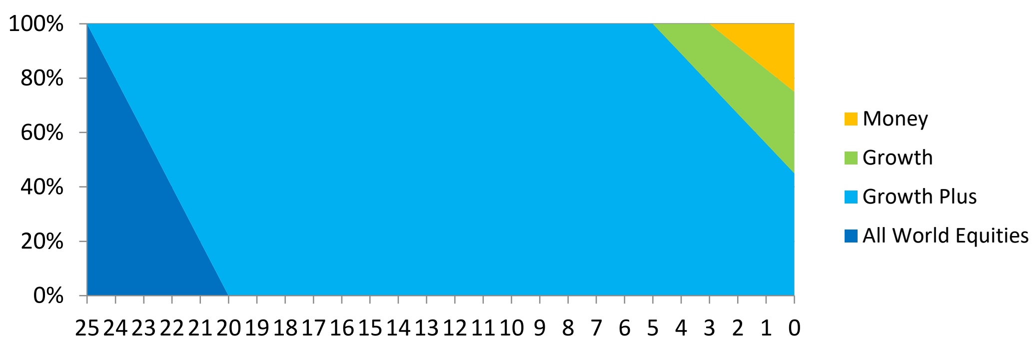
Lifecycle to Lump Sum*

The Lifecycle to Lump Sum strategy aims to provide a suitable match for a member who is targeting taking cash as a lump sum at retirement. The strategy is 100% invested in the Growth Plus Fund until 20 years from retirement, then between 20-10 years from retirement the funds are progressively switched to the Growth Fund. From 3 years from retirement, funds are gradually switched to the Money Fund with a final allocation of 75% invested in the Money Fund and 25% in the Growth Fund. This strategy seeks to provide a compromise between additional returns from growth assets and the capital preserving characteristics of cash, particularly in the years immediately prior to retirement. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



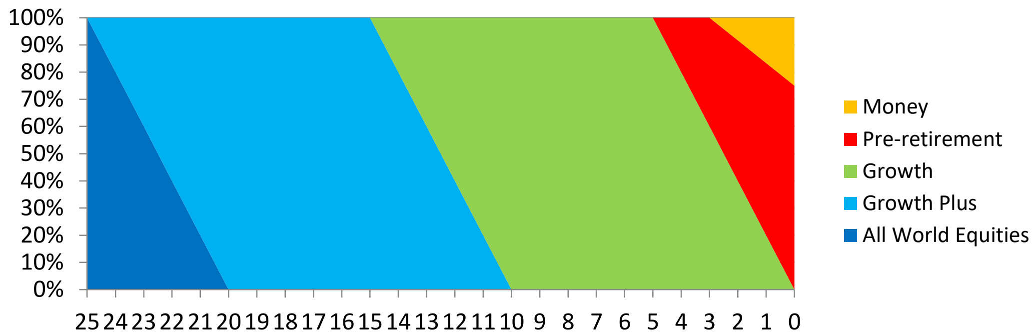
Lifecycle to Drawdown*

The Lifecycle to Drawdown strategy targets an allocation which aims to provide a suitable retirement position for members wishing to transfer into a flexi-access income drawdown product at retirement. The mix between different asset types is varied according to each member's years remaining to their Target Retirement Date. The objective is to achieve growth through investment in the All World Equity Index Fund. Then between 25-20 years from retirement funds are progressively switched to the Growth Plus Fund. At 5 and 3 years from retirement the Growth Fund and Money Funds start to be introduced targeting final allocations of 30% and 25% respectively, with the balance of 45% remaining invested in the Growth Plus Fund. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



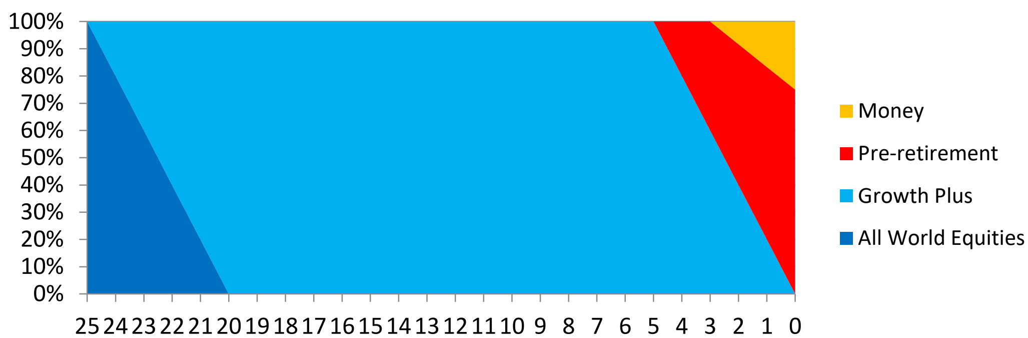
Lifecycle 2012**

There is a 100% allocation to the All World Equity Index Fund until 25 years from retirement at which point funds are progressively switched to the Growth Plus Fund over the next 5 years. At 15 years from retirement, the Growth Fund is added and then at 5 and 3 years from retirement, the Pre-Retirement and Money Funds are gradually introduced with final allocations of 75% and 25% respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifecycle Plus 2012**

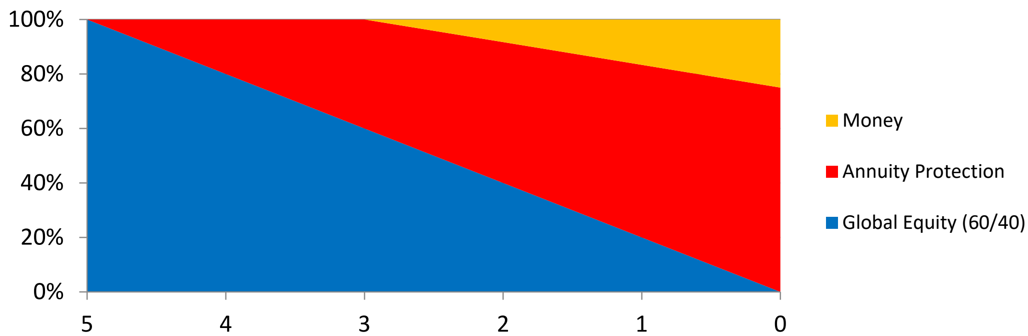
There is a 100% allocation to the All World Equity Index Fund until 25 years from retirement at which point funds are progressively switched to the Growth Plus Fund over the next 5 years. At 5 and 3 years from retirement, the Pre-Retirement and Money Funds are gradually introduced with final allocations of 75% and 25% respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifestyle 2002**

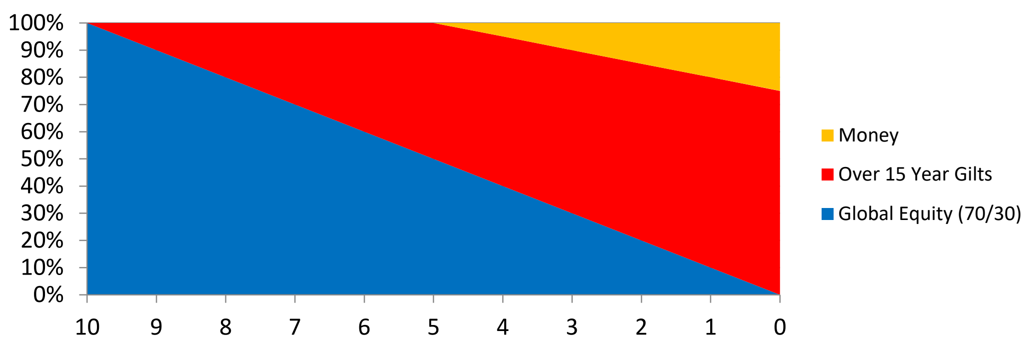
There is a 100% allocation to the Global Equity Fixed Weights (60:40) Index Fund until 5 years from retirement at which point the Annuity Protection Fund is introduced. The Money Fund is then introduced at 3 years to retirement with exposure progressively increased until final allocations of

75% and 25% respectively are achieved. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



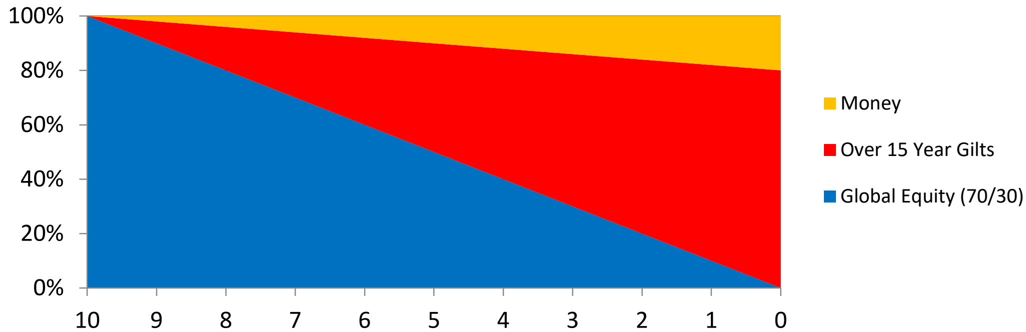
Lifestyle 1997**

There is a 100% allocation to the Global Equity (70:30) Index Fund until 10 years from retirement at which point the Over 15 Year Gilts Fund is introduced. The Money Fund is then introduced at 5 years to retirement with exposure progressively increased until final allocations of 75% and 25% are achieved respectively. Actual switches are undertaken on a quarterly basis, 3 months before the time points shown in the chart below.



Lifestyle 1997 (Data Science Limited members only)**

There is a 100% allocation to the Global Equity (70:30) Index Fund until 10 years from retirement at which point the Over 15 Year Gilts Fund and the Money Fund are introduced. Exposure is progressively increased until final allocations of 80% and 20% are achieved respectively. Switches are undertaken quarterly.



* Will be closed to new members once the new Lifecycle arrangements become available (expected to be the fourth quarter of 2020).

** Closed to new members.

Freestyle Fund Range

Some of the individual funds listed under the Freestyle Fund Range are used as building blocks for the Lifecycle and Lifestyle investment strategies. Descriptions of the Freestyle Funds are shown below.

Manager	Fund	Description	Benchmark
LGIM	UK Equity Index	This fund invests in the shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE All-Share Index.	FTSE All-Share Index
LGIM	World (ex-UK) Developed Equity Index	This fund invests in the shares of overseas companies (Europe, Japan, Far East, US and Canadian markets) according to market capitalisation weightings. It aims to achieve a return in line with the FTSE All-World Developed ex-UK index. In addition, there is a currency hedge of 50% of the fund to reduce the volatility associated with foreign exchange movements.	FTSE Developed World (ex UK) Index (50% GBP hedged)
LGIM	All World Equity	This fund invests in shares of companies across the globe (including emerging markets). The Fund aims to provide a return in line with the FTSE AW All World Index. 90% of the currency exposure to certain markets is hedged back to Sterling reducing the impact of currency movements.	FTSE All-World (90% GBP hedged)
LGIM	World Emerging Markets Equity Index	This fund aims to capture the returns of the world's emerging markets. It tracks the FTSE AW All-Emerging Markets Index. Currency exposure in the fund is not hedged.	FTSE Emerging Index

Manager	Fund	Description	Benchmark
LGIM	Ethical Global Equity Index	This fund aims to capture the returns of the FTSE4Good Global Index and is aimed at investors who wish to take account of ethical, environment or social principles. 90% of the Developed Markets currency exposure is hedged back into sterling reducing the impact of currency movements.	FTSE4Good Global Equity (90% GBP hedged)
LGIM	Ethical UK Equity Index	This fund aims to capture the returns of the FTSE4Good UK Index and is aimed at investors who wish to take account of ethical, environmental or social principles.	FTSE4Good UK Equity Index
LGIM	Future World Fund**	This fund invests in a diversified range of global equities and targets better risk-adjusted returns than a traditional index strategy, through factor based investing. It also incorporates a climate 'tilt' to address the investment risks associated with climate change, and seeks to raise the standards of companies that are critical to the transition to a low-carbon economy. The fund aims to replicate the performance of the index and will ensure the fund has similar characteristics as the index whilst not necessarily holding all the constituents of the index. 90% of the Developed Markets currency exposure is hedged back into sterling reducing the impact of currency movements.	FTSE ALL-World ex CW Climate Balanced Factor Index
LGIM	Global Equity Fixed Weights (60:40) Index*	This fund aims to achieve the returns consistent with a 60% allocation to the FTSE All Share Index (UK) and 40% allocation to FTSE overseas regional Indexes. Specifically, the 40% overseas allocation is divided - 14% in FTSE Developed Europe (ex-UK), 14% in FTSE World North America, 7% in FTSE Japan and 5% in FTSE World Asia Pacific (ex-Japan). Currency exposure in the fund is not hedged.	Composite of 60/40 distribution between UK and overseas
LGIM	Global Equity (70:30) Index*	This fund aims to achieve the returns consistent with a 70% allocation to the FTSE All Share Index (UK) and 30% allocation to the FTSE AW All-World (ex-UK) Index. Currency exposure in the fund is not hedged.	Composite of 70/30 distribution between UK and overseas
LGIM	Infrastructure Equity	This fund aims to provide diversified exposure to global listed infrastructure markets and to produce a return broadly comparable to the MFG Core Infrastructure Index - GBP Hedged. All of the developed market currency exposure is hedged.	MFG Core Infrastructure (100% GBP hedged)
LGIM	Global Real Estate Equity	The investment objective of the fund is to track the performance of the FTSE EPRA/NAREIT Developed Real Estate Index – GBP Hedged (less withholding tax where applicable) to within +/ 1.0% p.a. for two	FTSE EPRA/NAREIT Developed Real Estate Index (100% GBP hedged)

Manager	Fund	Description	Benchmark
		years out of three. All of the developed market currency exposure is hedged.	
LGIM	Growth	This fund tracks a composite index consisting of global equities, global real estate securities, infrastructure equity, emerging market debt, commodities, corporate and government bonds. Approximately 25% of the Fund invests in global equities and broadly tracks the FTSE All World Index with 90% of the developed currency exposure being hedged back into sterling. In addition, around 45% of the Fund is invested in corporate bonds, fixed interest and index-linked gilts with a further 7.5% being invested in emerging market debt (half of this also being sterling hedged). There is an additional 7.5% allocation to both global real estate securities and Infrastructure related investments with the developed currency exposure in these being hedged. Lastly, there is a 7.5% allocation to commodities. The Trustee keeps the asset allocation of this fund under review.	Weighted composite Growth Fund benchmark (Approx. 15% unhedged currency exposure - hedge levels in line with underlying building blocks)
LGIM	Growth Plus / Growth Plus (formerly Consensus)*	This fund tracks a composite index consisting of global equities, global real estate securities, infrastructure equity, emerging market debt, commodities, corporate and government bonds. Approximately 65% of the Fund invests in global equities and tracks the FTSE All World Index with 90% of the developed currency exposure being hedged back into sterling. In addition, around 5% of the Fund is invested in corporate bonds with a further 7.5% being invested in emerging market debt (half of this also being sterling hedged). There is also a 5% allocation to Infrastructure related investments and a 10% allocation to global real estate securities with the developed currency exposure in these being hedged. Lastly, there is a 7.5% allocation to commodities. The Trustee keeps the asset allocation of this fund under review.	Weighted composite Growth Plus Fund benchmark (Approx. 22% unhedged currency exposure - hedge levels in line with underlying building blocks)
LGIM	Over 15 Year Gilts Index	This fund aims to capture the returns of the UK gilt market. It tracks the FTSE-A Government (Over 15 year) Index and invests in long-term gilts.	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
LGIM	All Stocks Index Linked Gilts	This fund aims to capture the return of the UK index-linked gilt market. It tracks the FTSE A Government Index-Linked (All Stocks) Index and invests in both short and long-term index-linked gilts.	FTSE Index Linked

Manager	Fund	Description	Benchmark
LGIM	Investment Grade Corporate Bond – All Stocks Index	This fund aims to capture the return of the iBoxx Sterling Non-Gilts Index and invests primarily in long-dated sterling-denominated investment grade corporate bonds.	Markit iBoxx £ Non-Gilts Index (All Stocks)
LGIM	Emerging Markets Debt	This fund provides exposure to the yields offered by Emerging Market Debt. The Fund is split equally between securities denominated in local currencies and securities denominated in USD with both elements tracking the JP Morgan Emerging Market Bond indices. Exposure to securities dominated in USD is hedged back to Sterling.	JPM Em Global Div. 50% Local / 50% USD hedged
LGIM	Pre-Retirement	This fund aims to invest in assets that reflect the investments underlying a typical traditional non-inflation linked pension annuity. This fund is following an annuity price aware strategy and given that objective, the benchmark evolves over time as annuity price drivers change. For reporting purposes benchmark comparison will be the target strategy which the Legal & General Strategic Investment & Risk Management (SIRM) team set and which the Legal & General Index Funds team manage against.	Composite of gilts and corporate bond funds
LGIM	Pre-Retirement Inflation Linked	The fund aims to provide diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical inflation-linked annuity product.	A composite of gilts and corporate bonds
LGIM	Annuity Protection Index*	This fund aims to reflect the way that annuities are priced which reduces the impact on your pension if your retirement is at a time of high inflation. It invests 70% in the Over 5 Year Index-Linked Gilts Index Fund and 30% in the Over 15 Year Gilts Index Fund.	Composite of 70% Index Linked Gilts > 5 yrs / 30% Gilts > 15 yrs
LGIM	Money	This fund is actively managed and predominantly invests in a portfolio of high quality short term money market instruments. The Money Fund's returns are benchmarked against the 7 Day rolling LIBID rate.	7 Day rolling LIBID

* These Freestyle Funds are closed to new member elections. Members already invested in these funds may remain invested.

** Expected to be available from the fourth quarter of 2020.

With Profits Policies (closed to future contributions)

Aviva Life & Pensions UK Limited ("Aviva")	These funds are invested in the Aviva With-Profits Fund which may in turn be invested in a broad range of asset classes. Investment returns depend on the underlying investment performance, company specific and actuarial considerations. These policies are closed to new contributions.