

# *Addendum to the Statement of Investment Principles*

**For the Hanson Industrial Pension Scheme**

**Effective from: 3 July 2024**

**This addendum to the Statement of Investment Principles (“SIP”) for the Hanson Industrial Pension Scheme (“the Scheme”) has been produced by HIPS (Trustees) Limited (“the Trustee”). It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme’s investment arrangements.**



# Part 1:

## *Investment governance, responsibilities, decision-making and fees*

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

### 1. Trustee

The Trustee's responsibilities include:

- Developing a mutual understanding of investment and risk issues with the employer.
- Setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments.
- Putting effective governance arrangements in place and documenting these arrangements in a suitable form.
- Monitoring, reviewing, engaging with and replacing investment managers, investment advisers, actuary and other service providers.
- Monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended).
- All investment issues relating to the DC Section, including decisions regarding the investment funds available to members, the lifestyle strategies and the default option.
- Communicating with members as appropriate on investment matters.
- Reviewing the SIP and modifying it as necessary.
- Consulting with the employer when reviewing the SIP.

To assist with the decisions on investment matters, the Trustee has delegated certain responsibilities to a Joint Investment Sub-Committee ("the JISC") which comprises members of the Trustee Boards of the Hanson Pension Schemes<sup>1</sup>. The powers of the JISC are set out in a separate document called the "*Terms of Reference for the Joint Investment Sub-Committee (JISC) of the Hanson Pension Schemes*". A summary of these powers is provided below.

### 2. The JISC

In broad terms, for the DB Section the JISC has been delegated responsibility to:

- Make appropriate recommendations to the Trustee regarding the Section's investment strategy.
- Appoint appropriate investment managers within each broad asset class.
- Make alterations to the managers within each broad asset class, including discretion to alter the mandates of the chosen managers.
- Monitor the Scheme's investment managers and the performance of the investment strategy.
- Take decisions involved with rebalancing the Scheme's investment strategy.
- Take decisions on disinvestments required to meet the cash flow requirements of the Scheme.

The JISC is not responsible for making investment decisions in relation to the DC Section's investments. The power to make such investment decisions is reserved to the Trustee.

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<sup>1</sup> The Hanson Pension Schemes for the purpose of the JISC are the Hanson Industrial Pension Scheme, the Castle Pension Scheme and the Powerhouse Retail Group of the Electricity Supply Pension Scheme.

### 3. Platform provider

For the DC Section of the Scheme, the investment platform provider will be responsible for:

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

### 4. Investment managers

The investment managers' responsibilities include:

- Managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation.
- Taking account of financially material considerations (including climate change, and other Environmental, Social and Governance ("ESG") considerations) as appropriate in managing the assets.
- Exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments.
- Providing regular information concerning the management and performance of their respective portfolios, including information on voting and engagement undertaken.
- Having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

### 5. Custodian

The custodian will be responsible for:

- The safekeeping and reconciliation of the portion of the Scheme's assets that they have been appointed to take custody of.
- Settling transactions and administering income and tax receipts and payments.

### 6. Investment adviser

In broad terms, the responsibilities of the investment adviser are as follows:

- For the DB Section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested as well as advising on and monitoring liability hedging and collateral management.
- For the DC Section, advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this.
- For both sections, advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations).
- Assisting the Trustee with reviews of the SIP.

### 7. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets (for the DB Section) or members' assets (for the DC Section). The Trustee has agreed terms with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and the Trustee considers these to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme, and it keeps the fee structures under review.

### 8. Performance assessment

The Trustee is satisfied that there are adequate resources to support its investment responsibilities, and that it has sufficient expertise to carry out its role effectively.

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

## **9. Working with the sponsoring employer**

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employer's perspective. Whilst the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if it works with the employer collaboratively.

# Part 2:

## Policy towards risk

### 1. Risk capacity and appetite

For the **DB Section**, risk capacity is the maximum level of risk that the Trustee considers to be appropriate to take in the investment strategy. Risk appetite is how much risk the Trustee believes is appropriate to take to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy for the DB section, the Trustee considers:

- The strength of the employer covenant and how this may change over time.
- The agreed journey plan and employer contributions.
- The Scheme's long-term and shorter-term funding targets.
- The Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged.
- The Scheme's cash flow and target return requirements.
- The level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

For the **DC Section**, the risk appetite is a measure of how much risk the Trustee believes members may reasonably be willing to bear to meet their investment objectives. Risk capacity is the Trustee's view of the extent to which members can tolerate deviation from their long-term objectives before attainment of those objectives is seriously impaired. The Trustee's aim is to strike the right balance between risk appetite and risk capacity.

The Trustee has addressed these issues by ensuring, given the ways in which members can take their benefits, that a range of investment options have been made available that take account of members' reasonable risk/return preferences as well as a default option for those who do not wish to make their own choice.

### 2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and the Trustee monitors these on a regular basis. These include, but are not limited to:

#### Strategic risk & risk of inadequate returns

This is the risk that the performance of the DB Section's assets and liabilities diverges in certain financial and economic conditions. This risk has been considered in the Trustee's investment strategy reviews and will be monitored by the Trustee on a regular basis. The Trustee will review the DB Section's investment strategy at least every three years in light of the various risks faced by the Scheme.

For the DB Section, a key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and the Trustee has set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

For the DC Section, as members' benefits are crucially dependent on the investment returns achieved, it is important that investment vehicles are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy.

For a given amount of money, the level of pension secured for a DC member will also depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact on the benefits provided. To reduce this risk, the Trustee has made available "lifestyle" strategies which switch members' assets automatically in periods approaching retirement.

#### Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written professional advice, and will typically undertake a manager selection exercise. The Trustee monitors the investments regularly against their objectives and receives ongoing professional investment advice as to their suitability.

### **Risk from lack of diversification**

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (e.g., equities), could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's DB assets and DC default strategy are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

### **Illiquidity/marketability risk**

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

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

### **Climate-related risks**

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (e.g., extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and the Trustee monitors how this risk is being managed in practice.

### **Other environmental, social and governance (ESG) risks**

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately and monitors how these risks are being managed in practice.

### **Counterparty risk**

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

Counterparty risk is managed through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust

process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

### **Collateral adequacy risk**

The DB Section of the Scheme invests in an LDI arrangement in which leverage is permitted to provide hedging protection against adverse changes in interest rates and inflation expectations.

If leverage is employed, depending on market movements, additional cash may need to be invested in the LDI portfolio to support a given level of leverage. Collateral adequacy risk is the risk that the cash required to maintain the hedging protection is not available for use within the LDI portfolio within the required timeframe. A possible consequence of this risk materialising is that the Scheme's liability hedging could be reduced, potentially leading to a worsening of the Scheme's funding level.

To manage this risk, as at the effective date of this addendum, the Scheme's LDI portfolio is being run without leverage and managing the mandate in this way on an ongoing basis is the preference of the Trustee.

However, it should be noted that if the Scheme's circumstances change, the Scheme's LDI manager has the ability to re-introduce leverage to the portfolio. In this case, the Trustee would reduce the associated risk by ensuring that the DB Section has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

### **Credit risk**

The Scheme is subject to credit risk because it invests in bonds (both through a segregated mandate and via pooled funds). This risk is managed by only investing in bond mandates that have a diversified exposure to different credit issuers. In addition, for the DB Section, its managers will only invest in bonds that are classified as "investment grade". For the DC Section, the Trustee considers the credit exposure appropriate in the context of the overall range of investment options.

### **Equity risk**

The Trustee believes that equity risk is a rewarded investment risk, over the long term. The Trustee considers exposure to equity risk in the context of the Scheme's overall investment strategy and believes that the level of exposure to this risk is appropriate.

### **Currency risk**



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

### **Interest rate and inflation risk**

The DB Section is subject to interest rate and inflation risk because some of the assets are held in bond funds and LDI funds. However, the interest rate and inflation exposure of the DB section's assets provide protection (i.e., a hedge) against corresponding risks associated with the DB Section's liabilities. Given that this should reduce the volatility of the funding level, the Trustee believes that it is appropriate to manage exposures to these risks in this manner.

For the DC Section, some assets are subject to interest rate and inflation risk because they are invested in bonds via pooled funds. The Trustee considers the interest and inflation risk exposure appropriate in the context of the overall range of investment options.

### **Risk from excessive charges**

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

### **Valuation risk**

Some of the Scheme's assets (such as listed equities) can be valued regularly based upon observable market prices. However, for other assets (such as property and unlisted infrastructure), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – e.g., mathematical models or recent sale prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as property. The Trustee considers exposure to valuation risk in the context of the Scheme's overall investment strategy and believes that the level of exposure to this risk is appropriate.

### **Other non-investment risks**

The Trustee recognises that there are other non-investment risks faced by the Scheme. The Trustee takes these into consideration as far as practical in setting the investment arrangements.

Examples for the DB Section include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustee regularly reviews progress towards the Scheme's funding target, against both longer-term as well as short-term milestones, comparing the actual versus the expected funding level. By understanding and considering each of the risks that contribute to funding risk, the Trustee believes that it has addressed and is positioned to manage this general risk.

# Part 3:

## Investment manager arrangements

### Defined Benefit Section

The table below shows the strategic allocation of the DB Section assets between the investment managers agreed in the last review:

Asset class	Managers	Benchmark allocation	Range
		%	%
<b>Equities</b>	LGIM	3	<b>1-5</b>
<b>Total equities</b>		<b>3</b>	
Property	LaSalle	6	
Infrastructure	IFM	5	<b>8-14</b>
<b>Total alternative assets</b>		<b>11</b>	
<b>Total growth assets</b>		<b>14</b>	
LDI	CTI	80	<b>9-19</b>
Corporate bonds	Insight	6	
<b>Total matching assets</b>		<b>86</b>	
<b>TOTAL</b>		<b>100</b>	

Further details of the investment managers, including the performance objective and benchmark for each portfolio, are set out in the sections below.

#### LGIM (equities)

The Trustee has appointed LGIM to manage the Scheme's equity investments.

The Scheme's investment is represented by units in the World Equity Index Fund. The funds aims to track the performance of the developed world equity market as represented by the FTSE World Index.

#### LaSalle (UK property)

The Trustee has appointed LaSalle to manage the Scheme's property investments.

The Scheme's property portfolio is represented by investments in a collection of property funds (managed by a range of investment managers) which aim to provide access to, among other sectors, long-lease property, ground rents and student accommodation.

The benchmark for the portfolio is the Retail Price Index (RPI). LaSalle's objective is to outperform the benchmark by 2.0% p.a., net of fees, over rolling 5-year periods.

#### IFM (infrastructure)

The Trustee has appointed IFM to manage the Scheme's allocation to infrastructure.

The Scheme's investment is represented by holdings in IFM's Global Infrastructure Fund. IFM's objective is to target a total return of 8-12% p.a. net of fees depending on the stage of the economic cycle.

#### Insight (corporate bonds)

The Trustee has appointed Insight to manage the Scheme's corporate bond holdings.

The corporate bonds are managed on a buy and maintain basis. Insight's objective is to hold appropriate corporate bonds until they mature and reinvest cash that builds up. Insight has discretion to make changes to the corporate bonds held if concerned about the likelihood of default. The Trustee will monitor Insight's performance against a custom index for buy and maintain corporate bond portfolios.

#### CTI (LDI)

The Trustee has appointed CTI to manage the Scheme's LDI mandate which comprises of a range of securities including cash, money market instruments, and gilts. CTI is also permitted to use a variety of derivative instruments.

CTI has used liability cash flows provided by the Scheme Actuary to set an appropriate "Liability Benchmark" (as defined in the Investment Management Agreement) for the investment of the Scheme's LDI mandate. The Liability



Benchmark will be updated when new liability cash flows are produced by the Scheme Actuary.

CTI's objective is to ensure that the LDI assets have broadly the same sensitivity to changes in long-term interest rates and inflation expectations as an appropriate proportion of the Scheme's liability cash flows (after allowing for the Scheme's corporate bond holdings, which also provides some interest rate hedging). The proportions are agreed by the Trustee from time to time. In this way, the Trustee expects any changes in interest rates and inflation to have broadly the same impact on the Scheme's liability matching assets (in conjunction with the Scheme's corporate bond holdings) as on the relevant proportion of the liabilities that those assets are matching.

The Trustee is targeting a hedge ratio of 100% of the interest rate and inflation risk of the Scheme's liabilities on a Technical Provisions basis.

### Custodian

JP Morgan has been appointed by the Trustee to provide custodian services for the Scheme's holdings managed by CTI, Insight and LaSalle.

### Additional Voluntary Contributions

While the main Scheme assets are invested as above, AVCs are invested in a number of funds which the Trustee believes are suitable for meeting the needs of members.

Assets in respect of the members' AVCs are investment in a range of funds provided by Utmost, Save & Prosper Group, Scottish Life, Zurich, Aviva, NPI and Prudential.

With the help of the Trustee's advisors, the AVC arrangements are periodically reviewed to ensure they remain appropriate for the investment needs of the members.

## Defined Contribution Section

Members are provided with clear information on the investment options and their characteristics, so they can make an informed choice. Members can choose from a range of passively and actively managed self-select funds and three lifestyle strategies. If a member does not choose an investment option, their account will be invested into the main default option. The default option is a lifestyle strategy. Details of the options are set out below. A comprehensive list of all member options is shown in the table at the end of this section.

The fund options are provided to members via an investment only platform arrangement with FIL Life Insurance Limited ("Fidelity"). The funds are priced daily. The funds are open ended and are listed.

### Lifestyle strategies

There are three different Lifestyle Strategies available to members of the DC Section: the HIPS Drawdown Lifestyle Strategy, the HIPS Annuity Lifestyle Strategy and the HIPS Cash Lifestyle Strategy. Each HIPS Lifestyle Strategy has two different phases based on the time until a member's selected retirement age.

- From the period when a member joins to eight years from their selected retirement age, the aim of each Lifestyle Strategy is to achieve good long-term growth that at least keeps up with inflation. This is called the "growth phase" and is the same for all three Lifestyle Strategies.
- Over the remaining eight years before the members' selected retirement date, the allocation of investments within each of the three lifestyle strategies is tailored to target different income options on retirement.

In addition, there is a legacy lifestyle strategy which was retained for members invested in it with less than five years to their selected retirement date when the HIPS Lifestyle Strategies were put in place in November 2014 (although they have the option to switch to the new HIPS Self-Select Options or Lifestyle Strategies if they choose). This is not available to new members and will be closed once the last impacted member retires.

The allocations of the Lifestyle Strategies (including the legacy lifestyle strategy) are outlined in the sections below.

### HIPS Drawdown Lifestyle Strategy

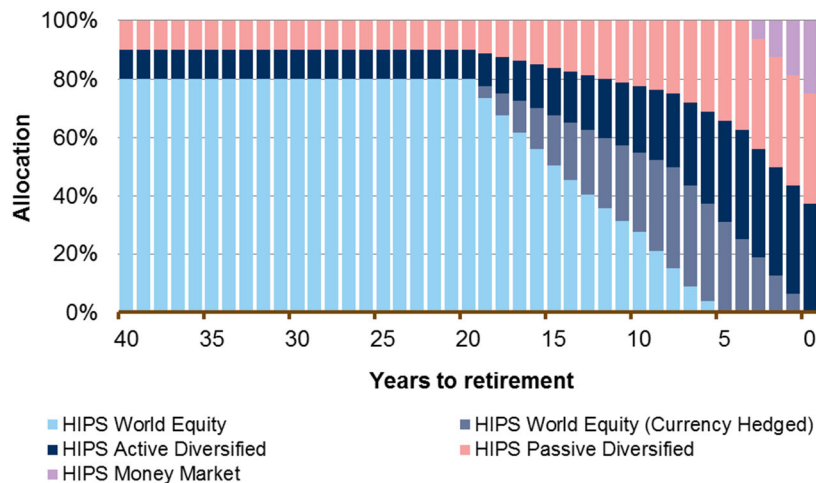
The HIPS Drawdown Lifestyle Strategy is the main default option for members of the DC Section. The HIPS Drawdown Lifestyle Strategy is designed to meet the objectives of members who want to drawdown income at retirement. The aim of this lifestyle is to provide more stability than the Growth Phase whilst still aiming to generate returns above inflation.

- Until 20 years before the selected retirement date, assets will be invested 80% in the HIPS World Equity Fund, 10% in the HIPS Active Diversified Fund and 10% in the HIPS Passive Diversified Fund. From 20 years, the HIPS World Equity (Currency Hedged) Fund is introduced and the fund proportions start to change so that when the member reaches 8 years to retirement, assets will be invested 35% in the HIPS World Equity (Currency Hedged) Fund, 15% in the HIPS World Equity Fund, 25% in the HIPS Active Diversified Fund and 25%

in the HIPS Passive Diversified Fund.

- From 8 years before the selected retirement date, these proportions will then start to change again so that by 4 years to retirement, assets will be invested 25% in the HIPS World Equity (Currency Hedged) Fund, 37.5% in the HIPS Active Diversified Fund and 37.5% in the HIPS Passive Diversified Fund.
- For the final 4 years before the selected retirement date, assets will gradually move into the HIPS Money Market Fund, so that at retirement assets will be invested 37.5% in the HIPS Active Diversified Fund, 37.5% in the HIPS Passive Diversified Fund and 25% in the HIPS Money Market Fund.

The structure of the HIPS Drawdown Lifestyle Strategy is as illustrated in the following chart:



### HIPS Annuity Lifestyle Strategy

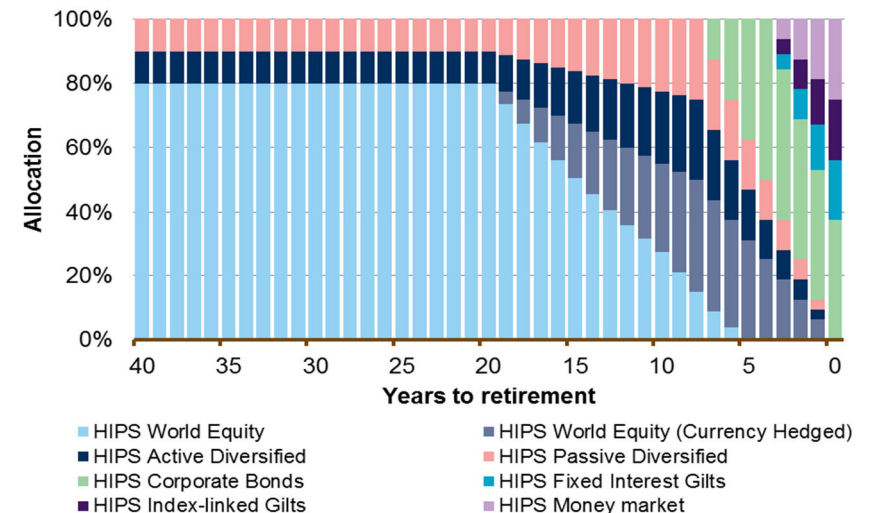
The HIPS Annuity Lifestyle Strategy is designed to meet the objectives of members that wish to buy an annuity (or pension) at retirement. The aim of this lifestyle is to better match the cost of an annuity by investing in a greater proportion of bonds, whose prices are expected to move broadly in line with long term interest rates, as the member approaches retirement.

- Until 8 years before the selected retirement date, assets are invested as per the HIPS Drawdown Lifestyle Strategy.
- From 8 years before the selected retirement date, assets will gradually move into the HIPS Corporate Bond Fund, so that by 4

years to retirement, assets will be invested 25% in the HIPS World Equity (Currency Hedged) Fund, 12.5% in the HIPS Active Diversified Fund and 12.5% in the HIPS Passive Diversified Fund and 50% in the HIPS Corporate Bond Fund.

- For the final 4 years before the selected retirement date, assets will gradually move into the HIPS Fixed Interest Gilts Fund, HIPS Index-Linked Gilts Fund and HIPS Money Market Fund, so that at retirement assets will be invested 37.5% in the HIPS Corporate Bond Fund, 18.75% in the HIPS Fixed Interest Gilts Fund, 18.75% in the HIPS Index-Linked Gilt Fund and 25% in the HIPS Money Market Fund.

The structure of the HIPS Annuity Lifestyle Strategy is as illustrated in the following chart:



### HIPS Cash Lifestyle Strategy

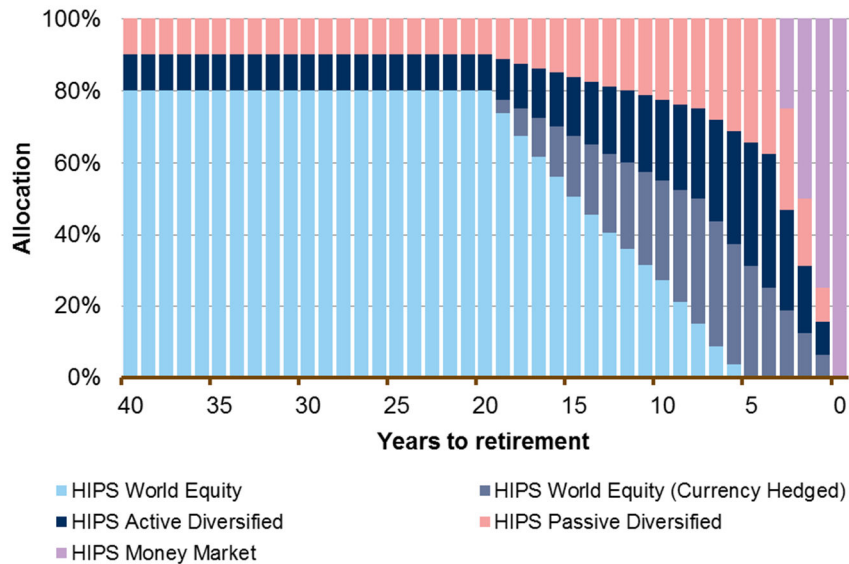
The HIPS Cash Lifestyle Strategy is designed to meet the objectives of members that wish to take their whole account as cash on retirement. The aim of this lifestyle is to reduce investment risk and increase the certainty of the amount of cash a member will be able to take at retirement.

- Until 8 years before the selected retirement date, assets are invested as per the HIPS Drawdown Lifestyle Strategy.
- From 8 years before the selected retirement date, these proportions will then start to change again so that by 4 years to retirement, assets will be invested 25% in the HIPS World Equity (Currency Hedged)

Fund, 37.5% in the HIPS Active Diversified Fund and 37.5% in the HIPS Passive Diversified Fund.

- For the final 4 years before the selected retirement date, assets will gradually move into the HIPS Money Market Fund, so that at retirement assets will be invested entirely in the HIPS Money Market Fund.

The structure of the HIPS Cash Lifestyle Strategy is as illustrated in the following chart:



### Legacy lifestyle strategy

There is a legacy lifestyle strategy, which was the default option to members prior to November 2014. This lifestyle strategy will continue to apply for members invested with less than five years to retirement when the HIPS Lifestyle Strategies came into effect.

This lifestyle strategy was originally designed for members that wanted to purchase an annuity (or pension) at retirement.



As the only members that remain invested in this strategy have less than five years to their expected retirement date, they will all be in the final switching phase.

### Default created as result of temporary suspension of the HIPS Property Fund

Since April 2020, the Scheme has also made use of an additional default strategy, the HIPS Money Market Fund. This fund became a default option as a result of a decision taken to temporarily suspend the HIPS Property Fund (due to the temporary suspension of trading by the underlying manager) so that contributions could be redirected into the HIPS Money Market Fund. Although the HIPS Property Fund re-opened on 1 October 2020, ongoing contributions remain directed to the HIPS Money Market Fund, unless members actively choose to redirect them to another fund in the range. As members' contributions were re-directed into this fund without them making an active selection, this fund is a default for the purpose of fulfilling legislative requirements.

This default option is a fixed allocation to the HIPS Money Market Fund and targets cash withdrawal at retirement, since the Trustee believes this is the most appropriate alternative for these contributions given the temporary suspension of the HIPS Property Fund and the previous inability for the Trustee to exercise members' choice to invest in the HIPS Property Fund.

## Self-select fund options

Fund	Underlying fund	Benchmark
HIPS Drawdown Lifestyle Strategy	See previous section	See previous section
HIPS Annuity Lifestyle Strategy	See previous section	See previous section
HIPS Cash Lifestyle Strategy	See previous section	See previous section
HIPS UK Equity	BlackRock UK Equity Index Fund	FTSE All-Share Index
HIPS World Equity	BlackRock MSCI World Equity Fund	MSCI World Index Net Total Return Index
HIPS World Equity (Currency Hedged)	BlackRock MSCI World Equity Fund (hedged)	MSCI World Index Net Total Return Index (hedged to GBP)
HIPS BlackRock 60:40 Global Equity	BlackRock 60:40 Global Equity Index Fund	60% FTSE All Share Index 40% Overseas Developed equities
HIPS Low Carbon Global Equity Fund <sup>1</sup>	50% L&G Low Carbon Transition Global Equity Fund 50% L&G Low Carbon Transition Global Equity Fund Hedged	50% Solactive L&G Low Carbon Transition Global GBP Net Total Return Index 50% Solactive L&G Low Carbon Transition Global Net Total Return GBP Hedged Index
HIPS Islamic Global Equity Fund <sup>1</sup>	HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Market Titans 100 Net Total Return Index
HIPS Active Diversified	50% Ruffer Diversified Return Fund 50% Nordea Diversified Return Fund	SONIA <sup>2</sup>
HIPS Passive Diversified	30% Blackrock MSCI World Global Equity Fund 12.5% L&G All Stocks Gilts Index Fund 12.5% L&G All Stocks Index Linked Gilts Index Fund 10% L&G Overseas Bond Fund 10% Blackrock Corporate Bond Index All Stocks Fund 10% L&G Infrastructure Equity MFG Fund 7.5% Invesco Global Direct Property Fund 7.5% L&G Emerging Market Multi-Asset Fund	30% MSCI World Index Net Total Return Index 12.5% FTSE Actuaries UK Conventional Gilts All Stocks Index 12.5% FTSE Actuaries UK Gilts Index-linked All Stocks Index 10% JP Morgan Global Government (ex-UK) Bond Index 10% iBoxx Sterling Non-Gilt Index 10% MFG Core Infrastructure Index 7.5% MSCI Global Property Funds Index 3.75% FTSE Emerging Markets Equity Index, 1.875% JPMorgan Government Bond Index (Emerging Markets), 1.875% JPMorgan Emerging Market Bonds Index
HIPS Fixed Interest Gilts	BlackRock Over 15 Years Gilt Index Fund	FTSE UK Gilts Over 15 Year Index
HIPS Index-Linked Gilts	BlackRock Over 5 Years Index Linked Gilt Fund	FTSE UK Gilts Index-Linked Over 5 Years Index
HIPS Corporate Bonds	BlackRock Corporate Bond Index All Stocks Fund	iBoxx Sterling Non-Gilt Index
HIPS Property	L&G 70:30 Hybrid Property Fund	70% IPD UK Quarterly All Balanced Property Funds Index

		30% NAREIT Global REITS Developed Real Estate Index
HIPS Money Market	BlackRock Cash Fund	SONIA

The table below sets out the Self Select Investment Options available to members of the Scheme together with details of the underlying manager funds and benchmarks.

<sup>1</sup>These funds were added to the self-select fund range in 2024.

<sup>2</sup> The objective for the HIPS Active Diversified Fund is to outperform SONIA by 4% pa (net of fees) over rolling 3-year periods.

# Part 4:

## *Monitoring and engaging with managers on voting and engagement*

This section sets out the Trustee's effective system of governance ("ESOG") in relation to stewardship. This includes monitoring the voting and engagement activities that the Trustee's investment managers undertake on its behalf, engaging with them regarding the Trustee's expectations in relation to stewardship, and encouraging improvements in their stewardship practices. The Trustee will review this ESGO periodically, and at least triennially.

### Stewardship priorities

The Trustee has selected some priority themes to provide a focus for the Trustee's monitoring of investment managers' voting and engagement activities. The Trustee will review them regularly and update them if appropriate. The Trustee's current priorities are **Pollution, Remuneration and Human Rights**.

The Trustee chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustee believes it is in its members' best interests that its managers adopt strong practices in these areas.

The Trustee have written to its investment managers to notify them of its stewardship priorities.

### Manager selection

The Trustee aims to appoint investment managers that have strong responsible investment skills and processes. The Trustee therefore favours investment managers who are signatories to the Principles for Responsible Investment, the UK Stewardship Code as well as the Net Zero Asset Managers Initiative.

When selecting new managers, The Trustee considers its investment consultant's assessment of potential managers' capabilities in this area. If the Trustee meets prospective managers, it usually asks questions about responsible investment, focusing on its stewardship priorities.

### Manager monitoring

The Trustee receives information regularly to enable it to monitor its managers' responsible investment practices and check how effective they

are. This information includes metrics such as the Trustee's investment consultant's responsible investment grades for each manager, whether they are signatories to responsible investment initiatives, and (where available) carbon emissions data for its mandates. It also includes a selection of voting, engagement examples relating to the Trustee's stewardship priorities. The examples are chosen to reflect the Trustee's stewardship priorities and material mandates over the course of the Scheme year (although not necessarily every priority for every mandate).

### Annual responsible investment review

Each year, the JISC undertakes a more comprehensive review of its managers' responsible investment practices. This includes the trustee's investment consultant's qualitative responsible investment assessments for each manager, a summary of the managers' voting and engagement policies including in relation to the Trustee's stewardship priorities, and summary statistics for their voting and engagement over the previous year where available.

### Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, the Trustee expects most managers will have areas where they could improve. The Trustee therefore aims to have an ongoing dialogue with its managers to clarify its expectations and encourage improvements.

The Trustee reviews the information outlined above to identify any concerns, for example where the managers' actions are not aligned with its views. Where there are concerns, the Trustee typically seeks further information through its investment consultants. If a concern is confirmed, it will consider what further action is appropriate.

### Implementation statement including most significant votes

Following the end of each Scheme year, the Trustee prepares a statement which explains how it has implemented its Statement of Investment Principles during the year. The Trustee publishes it online for its members to read.