

NRAM Pension Scheme

Statement of Investment Principles

April 2025

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Section 1: Introduction

Scheme details

- 1.1 This document describes the investment policy pursued by NRAM Pensions Limited as the Trustee of the NRAM Pension Scheme ("the Scheme").
- 1.2 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme has two sections, a Final Salary section and an AVC section (which previously consisted of two sections - Pre-April 2006 and Post-April 2006).
- 1.3 Exempt approval has been granted by HMRC under Chapter I of part XIV of the Income & Corporation Taxes Act 1988.
- 1.4 The Scheme is managed by the Trustee, who is responsible for the investment of the Scheme's assets.
- 1.5 The Scheme members, while in active service, had the option to make Additional Voluntary Contributions (AVCs). The Scheme invests AVCs via Legal & General. The investment performance of these arrangements is also the responsibility of the Trustee and consequently periodic reviews will be undertaken by the Trustee.

Pensions Act 1995 (as amended)

- 1.6 Under the Pensions Act, the Trustee is required to prepare a statement of the principles governing investment decisions. This document fulfils that requirement for the Scheme.
- 1.7 The Trustee will consult UK Asset Resolution Limited ('the Company') on changes in investment policy as set out in this document and on the employment or removal of fund managers. The Trustee seeks to agree investment strategy changes with the Company. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee. The appointment of investment managers will be approved by the Trustee.
- 1.8 In drawing up this document, the Trustee has sought advice from the Scheme's Investment Consultant, WTW, who also hold the office of Scheme Actuary, and will also consult as necessary with the investment managers. The Trustee will review this document in consultation with the Investment Consultant (and Scheme Actuary), at any time, at least once a year, but also following an unscheduled actuarial valuation triggered by the Statutory Funding Objectives (SFO) of the Pensions Act.

Financial Services and Markets Act 2000

- 1.9 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment guidelines, but, where applicable, will delegate the responsibility for the selection of specific investments or specified pooled investment funds to the appointed investment managers, which may include an insurance company or companies. The investment managers shall provide the skill and expertise necessary to competently manage the investments of the Scheme.

Occupational Pension Scheme (Investment) Regulations 2005 (as amended)

- 1.10 When choosing investments, the Trustee and the investment managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Scheme (Investment) Regulations and the principles contained in this statement. However, the majority of assets, under Section 36 of the Pensions Act, are termed direct investments and are classed as retained investments. It is therefore the Trustee's policy to obtain appropriate advice regarding the suitability of such investments on a regular basis. In each case, the investment managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.

The IGG Principles (formerly Myners)

- 1.11 The Investment Governance Group ("IGG") Principles (formerly the Myners Principles) provide wide ranging guidance on the investment decision making process of UK pension fund trustees. It is recommended that pension funds should embrace the range of best practice principles, covering a broad range of issues from governance to benchmarks. The Trustee considers that its policies are in line with the IGG Principles in most areas.

Section 2: Division of Responsibilities

Trustee

2.1 The Scheme Trustee's responsibilities include:

- (i) Reviewing annually the content of this Statement of Investment Principles and for modifying it if deemed appropriate, in consultation with the Investment Consultant and Scheme Actuary.
- (ii) Reviewing the investment policy following the results of each actuarial review, and/or asset liability modelling exercise, in consultation with the Investment Consultant and Scheme Actuary.
- (iii) Assessing the quality of the performance and processes of the investment managers, including those investment managers responsible for the investment of additional voluntary contributions, by means of regular, but not less than annual, reviews of the investment results and other information, in consultation with the Investment Consultant and Scheme Actuary.
- (iv) Consulting with the Company when reviewing investment policy issues.
- (v) Monitoring compliance of the investment arrangements with this statement on an ongoing basis.
- (vi) Reviewing the appointment of a separate Custodian from time to time, if required.
- (vii) Considering on an annual basis the effectiveness of the decisions it has made and the contributions to those decisions by the Scheme's investment managers and consultants.
- (viii) Assessing its own procedures and decisions as Trustee.
- (ix) Monitoring and reviewing the Scheme's investment strategy on an ongoing basis.
- (x) Overseeing necessary implementation and transition activity

Investment Managers

2.2 The investment managers will be responsible for:

- (i) At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities or pooled investment funds within each asset class.
- (ii) Informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.

- (iii) Obtaining advance approval from the Trustee before diverting from agreed guidelines.
- (iv) Operating within investment performance requirements and/or restrictions criteria specified from time to time, and/or detailed within the Investment Management Agreement.
- (v) The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Scheme.

Investment Consultant

2.3 The investment consultant's responsibilities include:

- (i) Participating with the Trustee in annual reviews of this Statement of Investment Principles (in consultation with the Scheme Actuary as necessary).
- (ii) Provision of a commentary on investment performance and performance measurement services as required.
- (iii) Undertaking project work as required including reviews of investment policy and the investment managers.
- (iv) Advising on the removal and selection of new investment managers.
- (v) Advising the Trustee on:
 - (i) How any changes in the investment managers' organisations could affect the interests of the Scheme.
 - (ii) How any changes in the investment environment could either present opportunities or risks for the Scheme.

Scheme Actuary

2.4 The Scheme Actuary will be responsible for:

- (i) Liaising with the Investment Consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- (ii) Assessing the SFO position of the Scheme and advising on the appropriate response required to eliminate any shortfall.
- (iii) Performing the triennial (or more frequently as required) actuarial valuations and advising on the appropriate contribution levels set from time to time for the various sections of the Scheme.

Custodians

2.5 Where applicable, the Custodians' responsibilities include:

- (i) The safekeeping of all of the assets of the Scheme.
- (ii) Providing the Trustee with quarterly statements of the assets, cashflows and corporate actions.
- (iii) Undertaking all appropriate administration relating to the Scheme's assets.
- (iv) Processing all dividends and tax reclaims in a timely manner.
- (v) Where necessary, investing in cash in a suitable low risk manner consistent with the Trustee's guidelines.
- (vi) Notifying the Trustee and relevant authorities when the Scheme's aggregate holdings exceed disclosable amounts.
- (vii) Dealing with corporate actions.

Section 3: Investment Objectives and Risk Management

Final Salary Section Objectives

3.1 The objectives are:

- (i) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Company, the cost of current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules.
- (ii) To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the SFO and the funding agreement.
- (iii) To seek to achieve an appropriate balance between the risks associated with, and return obtainable from, the Scheme's investments, so that the cost of servicing the Scheme deficit is appropriately managed, in accordance with the funding agreement as agreed from time to time in consultation with the Company.
- (iv) To ensure that those managing the assets of the Scheme act in accordance with accepted principles of good investment practice and take steps to ensure the security of those assets.

Additional Voluntary Contributions

3.2 The Scheme members, while in active service, had the option to make Additional Voluntary Contributions (AVCs). The Scheme invests AVCs via a Legal & General platform. The investment performance of these arrangements is the responsibility of the Trustee and consequently periodic reviews will be undertaken by the Trustee.

3.3 There are two options for members to invest their AVCs in:

- a the "lifestyle" option which pre-defines how members assets will invested over the period to retirement;
- b the self-select option, where members pick and manage their own investment arrangements through to retirement.

3.4 The Lifestyle strategy is made up of two phases, the Accumulation phase and Consolidation phase. Details of the funds underlying the lifestyle phases are listed in section 5 and the breakdown of the allocations within the lifestyle structure for each year to retirement is listed in Appendix A. Members who self-select have access to a comprehensive range of Legal & General funds to choose from.

Risk

3.5 The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. These include:

- (i) Solvency risk and mismatching risk, which are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies, managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy and through the asset allocation strategy and triennial actuarial valuations.
- (ii) Manager risk, which is measured by the expected deviation of the prospective risk and return, as set out in the managers' Performance Objectives set out in Sections 5.6 and 5.7, relative to the investment policy and managed by the ongoing monitoring of the actual deviation of returns relative to the objective and factors supporting the managers' investment process.
- (iii) Liquidity risk, which is measured by the level of cashflow required by the Scheme over a specified period and is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of cashflow requirements on the investment policy, as set out in Section 4.9.
- (iv) Inappropriate investments, which is monitored by regular reviews of investment policy and addressed through constraints on the use of derivatives, specific asset limits and other restrictions (See Section 6).
- (v) Political risk, which is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention and is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- (vi) Custodian risk, which is measured by the investment managers' assessment of the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody and is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate.
- (vii) Counterparty risk - addressed through the investment manager guidelines with respect to cash management.
- (viii) Fraud and dishonesty – addressed through the use of custodian services to hold assets and documents of title and control of persons authorised to issue instructions.
- (ix) Legal and operational risk – the risk that legal documents are inappropriate or that operational tasks are not completed correctly. This risk is mitigated through the choice of investment managers and the appointment of legal advisors as appropriate.
- (x) Sponsor risk, which is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit and is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to a number of metrics reflecting the financial strength of the sponsor.

3.6 The Trustee will continue to monitor these risks referring to guidelines such as the Investment Governance Group Principles (previously the Myners Principles) where appropriate.

Section 4: Investment Strategy

Asset Allocation principles

4.1 Following the 5 April 2024 triennial statutory actuarial valuation, the Trustee considered the Scheme's investment strategy. The asset allocation is regularly reviewed by the Scheme's Trustee and amendments made as appropriate.

4.2 The assets in which the Scheme invests as at the date of this document, and deemed appropriate by the Trustee, are as follows:

Asset class
Total liability-matching
UK Physical Gilts
Gilt futures
Repo
Cash
Buy-in policies

4.3 The uninsured portion of the Scheme's assets are invested in a bespoke fund which is managed by Insight Investment in line with the Scheme's liability hedging benchmark. The Trustee has agreed the fund should target hedging 100% of the Scheme's liabilities on a low risk basis. The Trustee regards this an aspirational target, and the actual allocation may differ to the target from time-to-time depending on Scheme specific factors. Currently the Scheme has a hedge ratio target of 98% of the Scheme's liabilities which looks to avoid the Scheme being overhedged as a result of transfers out of the Scheme. The Trustee will review the hedging on a regular basis and amend the hedge appropriately if required.

4.4 The Scheme holds multiple buy-in policies with Aviva, the first of which was originally purchased on 17 December 2010 to cover existing pensioner liabilities at that time. The Scheme also holds an insurance policy with Legal & General which relates to historical annuities from many years ago that were purchased to cover some members' benefits. The Scheme used to buy annuities at retirement and also used to insure death in service provisions.

Diversification

4.5 The Trustee ensures that the assets of the Scheme are invested in funds which are suitably diversified across the chosen asset classes.

Suitability

4.6 The Trustee has taken advice from the Scheme Actuary and the Investment Consultant to ensure that the benchmark and the allocation limits are suitable for the Final Salary section of

the Scheme, given its liability profile, and that the Lifestyle strategy is suitable for members who participate in the AVC section.

Liquidity

- 4.7 The Trustee, together with the Scheme's administrators, will ensure that it holds sufficient cash to meet the likely benefits due to be paid at any time. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy. The Lifestyle strategy will ensure that there is sufficient cash available to meet retirement benefits for members who participate in the AVC section.

Socially Responsible Investment

- 4.8 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). The Trustee recognises that an investment's long-term financial success is influenced by a range of factors including Environmental, Social and Governance (ESG) issues and climate change.
- 4.9 The Trustee's policy is that the extent to which environmental, social or governance considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the investment managers, this includes relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings, where relevant. The Trustee recognises that compliance with best practice guidelines (e.g. the Financial Reporting Council's Stewardship Code) is in the best interests of the Scheme. The Trustee expects its investment managers to comply with the spirit of these voluntary principles and has documented the managers' approach in this area. The Trustee periodically meets with the Scheme's investment managers and reviews their approach to this area.
- 4.10 The Trustee's focus is explicitly on financially material considerations, however the Trustee expects ESG considerations to be taken into account as part of the investment managers' mandates. The Trustee's policy at this time is not to take into account non-financially material or ethical considerations and not to take account of member's views within its ESG policy. The Trustee receives regular training on this subject to aide with the monitoring of these policies. Whilst the Trustee does not specifically ask for member views, member-nominated Trustee Directors are put forward for selection by members to represent their views.
- 4.11 The Trustee's policy is to delegate authority for the exercising of rights (including voting rights) attaching to investments to the investment managers where appropriate. Where relevant to the investment/strategy, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. Where concerns arise, the trustee expects its investment managers to promote the interests of long-term investors.

Section 5: Investment Manager Arrangements

Investment Manager Structure

Manager Structure – Final Salary Section

5.1 The assets of the Final Salary Section are invested with a number of investment managers appointed by the Trustee.

- (i) Aviva Annuity UK Limited
 - Bulk annuity policies in respect of nominated lists of reference pensioner members
- (ii) Legal & General
 - Insurance policy for historic annuities to cover a list of specified members' benefits
- (iii) Insight Investment
 - Bespoke fund

Manager Structure – AVC Section

5.2 The assets of the AVC Section are invested with Legal & General:

Lifestyle strategy funds

- (i) Accumulation phase
 - Diversified Fund
 - Global Equity (30:70) Index Fund – 75% GBP hedged

The Growth phase is constructed with 50% of the Diversified Fund and 50% of the Global Equity (30:70) Index Fund – 75% GBP hedged

- (ii) Consolidation phase
 - Cash Fund

Self-select option

- A wide range of options available in the Legal & General fund range

Investment guidelines/principles

- 5.3 The investment managers have regard to:
- i. at their discretion, but within the guidelines for each individual fund, implementing changes in the asset mix and selecting securities within each asset class.
 - ii. informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.
- 5.4 The Trustee recognises that the IGG Principles recommend that investment managers should be given freedom to use financial instruments, unless specific circumstances of the Scheme preclude their use. The Trustee is satisfied that suitable freedom is given to each manager.
- 5.5 The Trustee has delegated day-to-day management of the assets to the investment managers.
- 5.6 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

Performance Objectives

- 5.7 Whilst the Trustee is not involved in each investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review appointments.
- 5.8 When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- 5.9 The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.

Manager Monitoring

- 5.10 The Scheme uses different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment

objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.

- 5.11 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.
- 5.12 The appointment of the investment managers will be reviewed by the Trustee from time to time, based on the results of its monitoring of performance and process. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
- 5.13 The Trustee, with the help of the Investment Consultant, monitors the level of transaction costs (including commissions) across the Scheme incurred by each Investment Manager through regular engagement with the manager on this subject and through receipt of MiFID II compliant cost reporting. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by Investment Managers) which the Trustee adheres to. The Trustee, with the help of the Investment Consultant, will monitor that the level of portfolio turnover remains appropriate in the context of the Investment Managers' strategy and the Scheme's investment strategy.
- 5.14 The Trustee monitors that the AVC platform provider and investment managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Scheme.
- 5.15 The Trustee also meets the investment managers from time to time to review the investment managers' actions, together with the reasons for and background to the investment performance.

Rights Attaching to Investments

- 5.16 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The managers are encouraged to vote on all resolutions of companies in which the Scheme invests where appropriate. Voting power must be exercised with the objective of preserving and enhancing long-term shareholder value.
- 5.17 These policies are implemented by delegating these activities on a discretionary basis to the Scheme's investment managers.

Section 6: Investment Restrictions

Universal

6.1 The following restrictions are applied as a policy position by the Trustee.

No direct investment is permitted in:

- (i) Securities issued by the Company or any of its associate companies.
- (ii) Property leased to the Company.
- (iii) Securities issued by associate companies of the investment manager(s).

Investment Manager Restrictions

6.2 The following restrictions, subject to the risks normally associated with portfolio management, apply to the investment managers of the assets of the Final Salary section and can only be changed with the consent of the Trustee.

- (i) Underlying investments should consist predominantly of investments admitted to trading on regulated markets and investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level.
- (ii) Transactions in Derivatives may involve transactions in Options, Futures and Contracts for Differences not traded on or under the rules of a Recognised or Designated Investment Exchange. Investment in derivative instruments may be made only if they:
 - a contribute to a reduction of risks; or
 - b facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk), and any such investment must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.
- (iii) For the purposes of paragraph 6.2 (i):
 - a An investment in a collective investment scheme shall be treated as an investment on a regulated market to the extent that the investments held by that scheme are themselves so invested.
 - b A qualifying insurance policy shall be treated as an investment on a regulated market.
- (iv) There are no Sector or Company Restrictions other than as stated at 6.1.

Section 7: Compliance with and Review of this Statement

Compliance with this Statement

7.1 The Trustee will monitor compliance with this Statement annually.

Review of this Statement

7.2 The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its membership profile and the attitude to risk of the Trustee, which they judge to have a bearing on the stated investment policy.

7.3 This review will occur annually. Any such review will be based on written expert investment advice and the Company will be consulted.

Signed for on and on behalf of the Trustee:

Name:

Date:

Signed for on and on behalf of the Trustee:

Name:

Date:

Appendix A: AVC Lifestyle profile

The Lifestyle strategy is designed to provide a higher level of return over the earlier part of a member's working life by investing in equities and alternative assets, through the Global Equity Fund and Diversified Growth Fund (DGF) respectively (Accumulation phase). This addresses the risk that the growth of members' funds will not keep pace with price and earnings inflation. Although there is a risk of poor or even negative returns in individual years, this is not a significant issue in the context of long-term investment when members are some years from retirement and will not need to realise assets. The Global Equity Fund invests in both UK and overseas equities. Typically around 30% of the assets of the Equity Fund will be invested in UK equities, and 70% overseas. The overseas element is currency hedged to eliminate the risk associated with currency movements. The DGF invests in a range of asset classes that have a differing degree of correlations between them so as to minimise the volatility associated with the DGF.

As members approach retirement, volatility of returns and market values becomes a greater issue. These risks are addressed by gradually switching members' funds from the Accumulation phase into the Consolidation phase, invested in a Cash Fund over a five year period leading up to retirement. The Cash Fund helps preserve the capital value of the AVCs to provide greater certainty as members approach retirement.

Current 5-year AVC Lifestyle profile

Years to retirement:	5+	4	3	2	1	0
% allocation:						
<i>Accumulation phase</i>	100	80	60	40	20	0
<i>Consolidation phase</i>	0	20	40	60	80	100
Total	100	100	100	100	100	100