Standard Life
Part of Phoenix Group

Standard Life
Master Trust Co. Ltd

Standard Life DC Master Trust

Statement of Investment Principles

December 2023

Contents

1. Introduction

1.1. This Statement of Investment Principles (the Statement) has been prepared by Standard Life Master Trust Company Limited (the Trustee) and relates to the defined contribution (DC) benefits provided through the Standard Life DC Master Trust (the Trust). The Statement sets down the principles which govern the decisions about the investments that enable the Trust to meet the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004; and
- The Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2018.

1.2. In preparing this statement the Trustee has obtained advice from Redington Ltd, the Trustee's investment consultants. Redington Ltd is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.

1.3. The Trust has been set up to service multiple employers. The Trustee has consulted with the employers in the preparation of this statement.

1.4. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).

1.5. The Trustee will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement or the profile of members.

1.6. The investment powers of the Trustee are set out in Clause 9 of the Trust Deed and General Rules, the current terms of which are dated April 2015. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee carefully considers its Investment Objectives, shown in the appendix, when designing the range of investment options to offer to its members. The Trustee also acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile across the Trust as a whole.

2.2. The Trustee's policy is to offer a range of "off-the-shelf" default investment arrangements suitable for the Trust's membership profile into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in the appendices. In doing so, the Trustee considers the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.

2.3. There are some groups of members to whom different fund options are made available. Details of these groups of members and their fund options are given in the appendices to this statement. The Trustee has in each case obtained professional advice on the suitability of the options for that group of members.

2.4. As the Trust is currently a wholly-insured scheme, the insurer is responsible for the management of the investment arrangements. The insurer may invest in underlying funds run by other fund managers, who are responsible for the management of the underlying fund(s). The Trustee recognises that due to the insured nature of the Trust's investments, there is less scope to influence how the asset manager(s) invests. However, the insurer and Trustee's investment advisers ensure the investment objectives and guidelines of the manager(s) are consistent with those of the Trustee and the Trustee itself seeks to influence and engage in these matters where possible. The Trust's investment arrangements are detailed in the appendices to this statement. The investment managers will either be authorised and regulated by the FCA, or if non-UK domiciled will be recognised by the FCA. The investment managers are responsible for stock selection and the exercise of voting rights.

3. Investment objectives

3.1. The Trustee has discussed and agreed the key investment objectives for the Trust, suitable for the membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out in the appendices.

4. Kinds of investments to be held

4.1. The Trust is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives. The Trustee currently invests via policies of insurance and, in deciding the types of assets to include, considers investment returns, net of fees, and an appropriate level of risk based on the anticipated needs of the membership profile across the Trust as a whole.

5. The balance between different kinds of investments

5.1. The Trustee has made available a range of funds to suit the individual needs of the Trust's members – taking into account the Investment Objectives set out in the appendices. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and deposit and treasury funds are also offered for those members who are less comfortable with the likely greater volatility of the equity funds.

5.2. Alternatively, the Trustee has made available a range of lifestyle arrangements, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term, inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to "protection" assets over the years preceding the member's target retirement date so as to protect the retirement savings of the member relative to the way in which they are expected to access these savings.

5.3. Members can choose to invest in a range of funds or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by their employer, are invested, the Trustee will invest these contributions according to one of the default investment strategies set out in the appendices.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

6. Risks

6.1. Risk in a defined contribution scheme lies with the members themselves. The Trustee has considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustee risk register, however, the main investment risks affecting all members are:

Inflation risk

The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.

Conversion risk

The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available to members, the Trustee changes the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings.

Retirement income risk

The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee reviews the appropriateness of the investment options offered, seeking to ensure member outcomes can be maximized.

Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member. It is not part of the Trustee's role to ensure that the retirement income for any member is adequate for his or her needs.

Investment manager risk

The Trustee receives reports on performance from the insurer and reviews the performance of the funds used.

The insurer monitors the performance of each of the investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, and reports to the Trustee on a regular basis. The insurer has a written agreement with each investment manager, which sets out the terms and conditions on which the insurer invests on behalf of the Trustee in the investment manager's fund(s).

In the event that the Trustee is unhappy with the performance of one of the funds, the Trustee may choose to replace that fund with another fund within the range offered by the insurer.

Concentration/Market risk

Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.

Currency risk

The Trust may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

Loss of investment

The risk of loss of investment by the insurer and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

The insurer will also undertake a review of the internal controls and processes of each of the investment managers where necessary. The insurer will provide regular reports to the Trustee and advise of any material concerns arising from its due diligence.

The Trustee also has a continuity strategy in place and is considering the role of the Financial Services Compensation Scheme as part of this.

Some of these risks will be more relevant to particular cohorts of members. Some risks specific to individual sections are detailed in the relevant appendices.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustee is advised by their professional advisers on these matters, whom it has deemed to be appropriately qualified. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

8.1. The investment managers have responsibility for buying and selling investments. The Trustee has considered the risk of liquidity as referred to in the appendices.

9. Environmental, Social and Governance ("ESG") and Stewardship policy

9.1 The Trustee believes that if it manages the long-term financial risks, including those relating to Environmental, Social and Governance factors, including climate change (referred to together as "ESG factors"), inherent in the investments it holds it is expected to produce better member outcomes. In addition, the Trustee believes that if it exercises good stewardship of those investments it is expected to also improve member outcomes.

9.2 Without prejudice to the Trustee's legal obligations, the Trustee delegates full discretion to the insurer and in turn its investment managers around the evaluation of ESG factors within the investment process as well as direct engagement and exercise of shareholder rights.

9.3 The Trustee engages with the insurer to encourage investment managers whose operations are relevant to the Trust, to improve their practices, wherever possible. This includes the use of any rights associated with investments to drive better long-term outcomes.

9.4 The Trustee believes that ESG factors within an investment context can be financially material, however, the Trustee appreciates that taking ESG into account within an investment strategy and process will yield different returns and/or risks for different asset classes across different investment time frames. The Trustee is also cognisant of the limits of its ability to influence the behaviour of an investment manager given the nature of an insured master trust. Through meetings with the insurer and the Trust's advisers, the Trustee will periodically consider the financial materiality of ESG factors within the Trust's default and investment options.

9.5 The Trustee accepts that when investing totally passively in equity index tracker funds, the manager cannot use ESG factors to inform the selection of stocks within the investment process other than in the construction of the indexation approach. However, the Trustee believes that positive engagement on ESG factors can lead to improved risk-adjusted returns alongside better environmental, social or governance outcomes more generally. Therefore, the Trustee engages with the insurer to consider, as part of its wider due-diligence process, how the passive equity manager positively engages with companies where there is scope to improve the way ESG factors are taken into account when running a company.

9.6. Where assets are actively-managed, the Trustee looks to the insurer to consider how the investment process for active managers takes ESG into account in the selection, retention and realisation of investments where possible in addition to how the manager positively engages with companies where there is scope to improve the way ESG factors are taken into account when running a company.

9.7 The Trustee also recognises the time horizons over which members' retirement savings are invested. As part of this, the Trustee believes that ESG factors, and particularly climate change factors, are more likely to influence the risk adjusted returns of those members who are further from retirement, as the financial materiality of such factors will have a greater impact over a longer time frame.

9.8 Based on communications with the insurer, the Trustee is comfortable that the current investment managers are taking ESG factors into account where possible within the applicable guidelines and restrictions as defined in the governing literature of each underlying fund.

9.9 Before considering any new mandate, the Trustee will require the insurer to ensure that all investment managers under consideration are signatories to the United Nations Principles for Responsible Investment (UN PRI). At present, all of the Trust's investment managers are UN PRI signatories.

9.10 With the help of its investment advisers and the insurer, the Trustee will prepare an implementation report setting out how it has acted on its ESG principles. This will include information from the Trust's investment managers on how ESG factors have been taken into account over the year.

Stewardship

9.11 Stewardship encompasses the exercise of rights (including voting rights) attached to the Trust's investments, and the engagement by and with investment managers.

9.12 Without prejudice to the Trustee's legal obligations, the Trustee delegates to the insurer the responsibility for the stewardship activities that apply to the Trust's investments – such delegation is both reported on by the insurer from time to time and subject to challenge from the Trustee. In turn, the insurer expects the investment managers to exercise their voting powers with the objective of preserving and enhancing long-term shareholder value. As part of its wider due diligence of investment managers, the insurer will request managers to produce information that demonstrates that the investment manager is exercising their voting rights. The investment managers are also expected to engage with key stakeholders relating to their investments (which may include how engagement factors fit into a buy/sell/hold weighting decision for an asset within a portfolio) aimed at mitigating financial risks, but also to improve corporate behaviours and governance, improve performance and social and environmental impact. The Trustee also has a conflicts of interest policy to ensure that any actual or potential conflicts of interest are identified and appropriately managed.

9.13 The Trustee receives annual reporting from the insurer, which summarises engagement activities of the underlying investment managers on relevant matters in relation to their underlying holdings including (but not limited to) company performance, strategy, capital structure, management of actual or potential conflicts of interests, risks and ESG impact. The Trustee may also request at other times (and in particular in the event of there being any material change or circumstance that might impact on its ESG and stewardship policy) reporting from the insurer that summarises such engagement activities of the underlying investment managers; the insurer's response to such requests will be dependent on the availability of information from the underlying investment managers. Based on this information the Trustee will engage with the insurer, who will then engage with the underlying investment managers, to ensure the Trustee's policies outlined in this statement are being met and to encourage the investment managers to improve their practices where appropriate.

9.14 The Trustee will also prepare an annual implementation report (referred to above) using the information provided by the insurer on the activity sourced from the investment managers.

9.15 The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council. The Trustee expects the Trust's investment managers to have corporate governance policies in place which comply with these principles set out in this Code. The Trustee will ask the insurer to review the signatory status, quality of reporting and outcomes achieved of all of its managers on a yearly basis.

Non-financial matters

9.16 The Trustee does not explicitly take account of non-financial matters (such as member ethical views) within the default investment strategy. The Trustee may however consider the views of members if those views can be shown to be representative of a significant proportion of the membership.

9.17 The Trustee considers that it is important to ensure that a suitable range of funds is offered for members who wish to express an ethical, societal, cultural or environmental preference in their pension saving.

10. Policy on investment in illiquid assets

The Trustee recognises the potential benefits from illiquid investments (assets of a type which cannot easily or quickly be sold or exchanged for cash), including improved diversification and enhanced risk adjusted returns.

Illiquid assets are currently held within the Trust's default arrangements through a direct allocation to property, predominantly UK commercial property, and indirectly to global real estate through collective investment schemes.

The current investment in illiquid assets is the result of the default arrangements' strategic asset allocation. Allocations to illiquids are held during all phases of the default lifestyle profiles, reducing in size once members are 15 years from retirement until a terminal allocation is reached at retirement age. The terminal holding will depend on the specific lifestyle profile selected by members.

While the Trustee's policy on investing in illiquids is currently limited to investments in property, the Trustee will keep this policy under review, considering whether to, and if so, how to expand the type and range of illiquid assets in which it invests in the future.

From time to time the Trustee may accept an incoming transfer of illiquid assets that is not in line with the policy above (including both property and non-property assets). The incoming transfer of assets will be considered on a case-by-case basis and may continue to be held if the Trustee finds reasonable justification.

11. Monitoring

11.1. Investment Performance: The Trustee reviews the performance of each fund in which the Trust invests against the stated performance objective for that fund and, in doing this, the Trustee receives a performance monitoring report on a quarterly basis. This monitoring takes into account both short-term and long-term performance. The insurer meets the investment managers as frequently as is appropriate in order to review performance and other key factors, such as their approach to responsible investment. A manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

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 time frame than three years due to other factors such as a significant change in business structure or the investment team.

11.2. Objectives: The Trustee monitors the suitability of the objectives for each section of the Trust (as detailed in the appendices) and its performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.

11.3. Investment Choices: The Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

11.4. Charges: The Trustee monitors the overall level of costs periodically to ensure members are receiving good value. Managers are paid an ad valorem fee for a defined set of services. The level of these fees are consistent with the aims of the funds, which are consistent with the Trust's policies where possible.

The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

12. Agreement

12.1. This Statement was agreed by the Trustee, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the employer, the investment manager and the Trust's auditor upon request.

Signed:

Richard Butcher
on behalf of ZEDRA Governance Limited,
Chair of Standard Life Master Trust Co. Ltd
Trustee of the Standard Life DC Master Trust

Signed on: 5 December 2023

Appendix 1

Note on investment policy for the default section in relation to the current Statement Of Investment principles dated December 2021.

1. The balance between different kinds of investments

The Trustee's main investment objectives are:

- to provide a default investment option that is likely to be suitable for members within the section who do not make an active choice;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- achieve good member outcomes net of fees and subject to acceptable levels of risk;
- that the expected volatility of the returns achieved is managed through appropriate diversification of the use of asset types in order to control the level of volatility and risk in the value of members' pension pots;
- to help manage conversion risk as explained in the main body of this statement.

The Trustee is responsible for the design of the default investment option and for choosing which funds to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

2. Default options

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for each individual member.

However, the Trustee has decided that the lifestyle arrangement set out below represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested, taking into account:

- The kinds of investments to be held;
- The balance between different kinds of investments;
- Investment risks;
- The expected return on investments, net of fees;
- The realisation of investments;
- Socially Responsible Investment, Corporate Governance and Voting Rights.

Further information on the Trustee's policies in regard to the above is detailed in the main body of this statement.

These aspects have also been considered in the choice of self-select funds and solutions that the Trust has made available to members that wish to choose their own investment strategy.

The Trustee acknowledges the uncertainty in choosing at outset the strategy that will deliver the best solution for a particular group of members. Taking into account the objectives and policies mentioned in this statement, the Trustee is comfortable that there is a range of possible appropriate "default" options and is willing to be guided by an employer as to which option within the range is most appropriate for a particular cohort.

3. Range of default strategies

With the exception of the temporary cash fund arrangements, (see last paragraph of this section) and the Investment Pathway Option 1 Fund the default strategies are part of Standard Life's range of Strategic Lifestyle Profiles ("SLP") and are the Sustainable Multi Asset and Passive Core suites that predominantly makes use of funds that aim to track an index.

Both suites invest in a range of asset classes including equities, bonds, and absolute return funds.

The Universal SLPS are specifically designed to be an appropriate arrangement for the membership profile across the Trust as a whole where members have yet to make a decision regarding how they will access their pension benefits, rather than targeting a specific method of accessing pension savings.

The Sustainable Multi Asset Drawdown SLP and the Sustainable Multi Asset Lump Sum SLP are designed for members who have decided to target income drawdown or a lump sum, respectively, as their pension benefit.

The current range of defaults is shown in the table below:

Sustainable Multi Asset
Sustainable Multi Asset Universal SLP
Sustainable Multi Asset Drawdown SLP
Sustainable Multi Asset Lump Sum SLP
Passive Core
Passive Core Universal SLP

In addition to the default strategies above, the Trust also makes use of a temporary fund called the Standard Life Deposit & Treasury (MT) Pension Fund. This fund was introduced so that contributions that could not be invested into their target funds, either due to fund suspension or other exceptional circumstance, could be redirected into the Deposit & Treasury fund until such time as contributions can be invested in the initial target fund. As members' contributions are to be directed into this fund without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements. The objective of the fund is 'to maintain capital and provide returns before charges in line with short term money market rates by investing in deposits and short term money market instruments'. The fund aims to perform in line with its benchmark.
The default strategy which applies to members' crystallised benefits which have been bulk-transferred into the Trust is the Standard Life Investment Pathway Option 1 Fund. This fund is invested for members who are not expected to access their money in the next 5 years.

4. Choosing investments

The Trustee is responsible for the selection of the range of default strategies, and for deciding which other lifestyle profiles and funds are made available to the members. The insurer is responsible for the management of the investment arrangements. The insurer may invest in underlying funds run by other fund managers, who are responsible for the management of the underlying fund(s). The investment managers are either authorised, or recognised by the FCA.

The full list of lifestyle strategies that members are able to choose from are shown on the links below.

More details on other lifestyle profiles and funds made available to members can be found in the link below:
Self-select investment options (GEN2835B)

The Trustee recognises that members are likely to withdraw their pension savings in different ways due to their varying retirement needs. The Trustee has therefore provided members with different investment options, 'The Pathways', in decumulation, that members can access after they crystalise their pension savings. Detailed information is available on the link below:
Self-select investment options (GEN2835B)

5. Fee agreements

The insurer has negotiated fee arrangements with the investment managers for the management of the Trust's investments.

As well as the annual management charges, additional fund expenses apply (and vary from quarter to quarter) taking account of custodian, legal, accounting and auditing fees for each fund.

6. Risks specific to this section

The Trustee has considered the risk of liquidity in the default funds and looks to mitigate this. The Trustee notes Standard Life's ability to suspend redemptions in certain circumstances.

The Trustee also notes that the risks associated with With Profits are monitored by Standard Life, and that Standard Life's With Profits Committee provides independent advice to the Board of Standard Life on the fair management of its With Profits business.

www.standardlife.co.uk

Phoenix Life Limited, trading as Standard Life, is the provider of the Standard Life DC Master Trust. Phoenix Life Limited is registered in England and Wales (1016269) at 1 Wythall Green Way, Wythall,

Birmingham, B47 6WG. Phoenix Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Standard Life Master Trust Co. Ltd is trustee and scheme administrator of the Standard Life DC Master Trust.

Standard Life Master Trust Co. Ltd is registered in England and Wales (09497864) at 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

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