Contents

Standard Life DC Master Trust
1. Introduction 02
2. Choosing investments 02
3. Investment objectives 02
4. Kinds of investments to be held 02
5. The balance between different kinds of investments 03
6. Risks 03
7. Expected return on investments 04
8. Realisation of investments 04
9. Environmental, Social and Governance (“ESG”) and Stewardship policy 04
10. Monitoring 05
11. Agreement 06

Appendix 1 – Note on investment policy for the default section in relation to the current Statement of Investment Principles dated September 2019
1. The balance between different kinds of investments 07
2. Default options 07
3. Range of default strategies 07
4. Choosing investments 08
5. Fee agreements 08
6. Risks specific to this section 08
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

1.2. In preparing this statement the Trustee has obtained advice from Barnett Waddingham LLP, the Trustee’s investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries 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 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 discontinuance plan 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 advisors 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 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 timeframes. 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 Scheme’s advisers, the Trustee has considered the financial materiality of ESG factors within the Scheme’s default and investment options.

9.4 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. 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 looks to 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.

9.5 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.

9.6 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 timeframe.

9.7 Based on information from 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.

9.8 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 Scheme’s investment managers are UN PRI signatories.

9.9 With the help of its investment advisors 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 Scheme’s investment managers on how ESG factors have been taken into account over the year.

**Stewardship**

9.10 Stewardship encompasses the exercise of rights (including voting rights) attached to the Scheme’s investments, and the engagement by and with investment managers.

9.11 Without prejudice to the Trustee’s legal obligations, the Trustee delegates to the insurer the responsibility for the stewardship activities that apply to the Scheme’s investments. 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.

9.12 The Trustee receives annual reporting from the insurer, which summarises engagement activities of the underlying investment managers on relevant matters 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.

9.13 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.

9.14 The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council. The Trustee expects the Scheme’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 of all of its managers on a yearly basis.

**Non-financial matters**

9.15 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.

9.16 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 preference in their pension saving.

**10. Monitoring**

10.1 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. 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.

10.2. 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.

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

10.4. Charges: The Trustee monitors the overall level of costs periodically to ensure members are receiving good value

11. Agreement

11.1. 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, the actuary and the Trust’s auditor upon request.

Signed:

Richard Butcher on behalf of PTL,
Chair of Standard Life Master Trust Co. Ltd
Trustee of the Standard Life DC Master Trust
Signed on: 4 July 2019
Appendix 1

Note on investment policy for the default section in relation to the current Statement of Investment Principles dated September 2019

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

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

The default strategies are part of Standard Life’s range of Strategic Lifestyle Profiles (“SLP”) and are split into two main sections. The Active Plus suite of strategies are predominantly actively managed whereas the Passive Plus suite 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. Each suite has a range of risk levels that can be chosen; the lower the number, the lower the expected risk. For example, Passive Plus III Universal SLP is expected to invest in a way that is more risky than Passive Plus II Universal SLP.

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 current range of defaults is shown in the table below:

<table>
<thead>
<tr>
<th>Passive Plus</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Passive Plus II Universal SLP</td>
<td></td>
</tr>
<tr>
<td>Passive Plus III Universal SLP</td>
<td></td>
</tr>
<tr>
<td>Passive Plus IV Universal SLP</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active Plus</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Plus IV Universal SLP</td>
<td></td>
</tr>
<tr>
<td>Active Plus II Universal SLP</td>
<td></td>
</tr>
<tr>
<td>Active Plus III Universal SLP</td>
<td></td>
</tr>
</tbody>
</table>
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 investment choices available are structured into a passive range, an active range, and a hybrid range comprising both passive and active choices. 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). In terms of the Strategic Lifestyle Profiles and core fund range, as at the date of this statement, the main underlying managers were:

- Standard Life;
- Vanguard;
- HSBC

The investment managers are either authorised, or recognised by the FCA.

The full list of lifestyle strategies that members are able to choose from is shown below, with the range of risk levels ranging from I (being the least risky) to V (representing the option with the highest expected risk):

- through Standard Life or with another provider
- on the retirement date that was selected when their plan started (the guarantee also applies at other dates for some plans).

<table>
<thead>
<tr>
<th>SLP</th>
<th>Passive Plus</th>
<th>Active Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal</td>
<td>II - V</td>
<td>II - V</td>
</tr>
<tr>
<td>Annuity</td>
<td>I - V</td>
<td>I - V</td>
</tr>
<tr>
<td>Lump Sum</td>
<td>I - V</td>
<td>I - V</td>
</tr>
<tr>
<td>Active Retirement</td>
<td>II - V</td>
<td>II - V</td>
</tr>
</tbody>
</table>

A list of the core self-select funds is shown below:

- Standard Life Active UK Equity (MT) Pension Fund
- Standard Life Active Overseas Equity (MT) Pension Fund
- Standard Life Active Gilt (MT) Pension Fund
- Standard Life Active Emerging Markets Equity (MT) Pension Fund
- Standard Life Active Corporate Bond (MT) Pension Fund
- Standard Life Active Global Equity 50:50 (MT) Pension Fund
- Standard Life Shariah Global Equity (MT) Pension Fund
- Standard Life Property (MT) Pension Fund
- Standard Life Passive UK Equity (MT) Pension Fund
- Standard Life Passive Overseas Equity (MT) Pension Fund
- Standard Life Passive Gilt (MT) Pension Fund
- Standard Life Passive Emerging Markets Equity (MT) Pension Fund
- Standard Life Passive Corporate Bond (MT) Pension Fund
- Standard Life Passive Global Equity 50:50 (MT) Pension Fund
- Standard Life Deposit & Treasury (MT) Pension Fund
- Standard Life Global Absolute Return Strategies (MT) Pension Fund
- Standard Life Ethical (MT) Pension Fund
- Standard Life Annuity Purchase (MT) Pension Fund
- Standard Life Global Absolute Return Strategies (MT) Pension Fund
- Standard Life Ethical (MT) Pension Fund
- Standard Life Annuity Purchase (MT) Pension Fund

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 will 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 SLPs and looks to mitigate this. The Trustee notes Standard Life’s ability to suspend redemptions in certain circumstances.

The Trustee 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.
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Standard Life Assurance Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. www.standardlife.co.uk

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

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